

HOUSING AFFORDABILITY: GOVERNMENTAL BARRIERS AND MARKET-BASED SOLUTIONS

HEARING BEFORE THE SUBCOMMITTEE ON HOUSING AND INSURANCE OF THE COMMITTEE ON FINANCIAL SERVICES U.S. HOUSE OF REPRESENTATIVES ONE HUNDRED EIGHTEENTH CONGRESS FIRST SESSION

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HOUSING AFFORDABILITY: GOVERNMENTAL BARRIERS AND MARKET-BASED SOLUTIONS

Wednesday, December 6, 2023

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING
AND INSURANCE,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:01 a.m., in room 2128, Rayburn House Office Building, Hon. Warren Davidson [chairman of the subcommittee] presiding.

Members present: Representatives Davidson, Posey, Luetkemeyer, Norman, Fitzgerald, Garbarino, Flood, Lawler, De La Cruz, Houchin; Velazquez, Tlaib, Torres, Pressley, Williams of Georgia, Horsford, and Pettersen.

Ex officio present: Representative Waters.

Also present: Representatives Rose and Vargas.

Chairman DAVIDSON. The Subcommittee on Housing and Insurance will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

Today's hearing is entitled, "Housing Affordability: Governmental Barriers and Market-Based Solutions."

I now recognize myself for 5 minutes to give an opening statement. Today, this subcommittee will hold a hearing to discuss the lack of affordable housing in many communities across the country. In particular, we will examine governmental barriers, as well as market-based solutions to bring down the cost of housing. Americans spend more on housing than any other household expense, historically representing 33 percent of the family's budget. Families in many areas of the country would love to get back to that level. The rise in both home prices and rents has far exceeded the rate of wage growth.

In Cincinnati, Ohio, a city once considered affordable, the median home price is now \$270,000, which is approaching 4 times the annual median household income. And such unaffordability is spreading far beyond parts of the country known for their high cost of living, like New York, San Francisco, and Washington, D.C. Nationwide, median home prices are now nearly 6 times the median household income, where historically, the advice was to stay within 3 times of it. So, this is maybe one of the most emblematic markers on the lack of affordable housing.

That is why the committee held multiple affordability hearings last spring on President Biden's misguided policy of increasing

mortgage costs on creditworthy borrowers. That idea was an insult to affordability. The House responded by passing our Middle Class Borrower Protection Act to eliminate harmful costs, although the Senate has so far failed to act.

The rental market is facing similar challenges. Renters are now more cost-burdened than they have been in over 2 decades. While rents have gone up in some areas by double-digit growth, median income for renter households actually went down between 2019 and 2021. For many, housing is becoming unattainable across the country. One in three young adults, aged 18 to 34, still live with parents. This impacts their ability to start a family, build wealth, and contribute more intentionally to the national economy.

And seniors, with fixed incomes and the burden of increasing healthcare costs, are even more cost-burdened than ever when it comes to housing. In rural areas where land is abundant, price pressures still exist, such as cost increases to rent and build manufactured or modular homes.

As we confront these affordability challenges, what seems to get left out of conversation is that all of the expansive efforts of government have not solved this problem. In fact, they have added to it. The solutions we need are market-based solutions where we remove government barriers to the construction of housing and encourage greater private sector investment in housing.

Of course, many of my colleagues, on the other side of the aisle in particular, will likely see things differently and suggest that we have more government, more rules, and more spending. Maybe, that is their measure of success. I hope we focus on affordability. These solutions have been pushed for years and interestingly, the same affordability they decry continues to get worse. So not only have those policies failed, but it seems the Biden Administration wants to avoid congressional accountability for the failure of their policies in oversight.

Case in point, for almost a year now, the committee has requested that Housing and Urban Development Secretary Marcia Fudge appear to discuss the Biden Administration's housing affordability plan. In fact, since May, the committee has offered at least every month that the Secretary make an appearance here, only to have her repeatedly decline to testify or outright refuse to respond to numerous requests. Silence is a poor response to a crisis. The American people deserve greater transparency in how their government operates, especially when it has to do with their ability to afford housing. Ensuring accountability is one of the fundamental purposes of this committee, and I hope that the Secretary will finally agree to appear before our committee next year.

In the meantime, even without the Administration's input, the committee will continue to explore how government policies are contributing to the high cost of housing, and what private sector efforts can do to address this critical issue for those most in need.

I yield back the balance of my time. And I now recognize the acting ranking member of the subcommittee, Ms. Pressley from Massachusetts, for 4 minutes for an opening statement.

Ms. PRESSLEY. Thank you.

It shouldn't be news to anyone that we are in a housing crisis. Demand for housing is far outpacing supply. As a result, millions

of Americans in urban, suburban, and rural neighborhoods are finding shelter to be increasingly unaffordable.

Prospective homebuyers are facing record-high home prices, and millions of renter households are cost-burdened, spending elevated amounts of income on housing. Several factors influence the supply of affordable housing. Democrats and Republicans agree about the need to address State and local barriers to increasing home construction, but that is not enough.

The Joint Center for Housing Studies at Harvard University testified before Congress that even if measures such as zoning reform and land use policies are adopted, they will not be sufficient to bring down the cost of housing levels to within reach of the lowest-income Americans.

Central to the question of how to address the affordable housing crisis is answering the question: Affordable to whom? And to close the affordable housing gap for lower-income households, there needs to be assistance for both development and rental income over time. To put this clearly, expanded public subsidies will be needed to increase and preserve access to affordable housing for millions of Americans.

I believe housing is infrastructure. We must adequately support and fund Federal programs that have been successful in expanding affordable housing access. It is vital to continue to strengthen and improve others. This includes federally-subsidized housing. I also hear from my constituents in the Massachusetts Seventh District, and across Massachusetts, that a quarter of all residents spend half of their income or more on housing. Boston is now the second-most expensive city in the country to rent; the median rent for a one-bedroom apartment is just over \$3,000. In East Boston, between 2011 and 2021, Warren Group data showed that the cost of a single-family home shot up 226 percent, the sharpest hike of any Boston neighborhood.

So, I hope that today we can have an honest conversation about the affordable housing crisis and the extent to which public, private, and public/private solutions are adequate to address these challenges. And I look forward to hearing from our witnesses today.

I yield back the balance of my time.

Chairman DAVIDSON. Thank you.

Today, we welcome the testimony of: Mr. Seth Appleton, the president of U.S. Mortgage Insurers; Dr. Emily Hamilton, a senior research fellow at the Urbanity Project at the Mercatus Center at George Mason University; Mr. Norbert Michel, the vice president and director of the Center for Monetary and Financial Alternatives at the Cato Institute; Ms. Arianna Royster, the president of Borger Residential, testifying today on behalf of the National Apartment Association and the National Multifamily Housing Council; and Ms. Diane Yentel, the president and CEO of the National Low Income Housing Coalition.

We thank you all for taking the time to be here. You will each be recognized for 5 minutes for an oral summary of your testimony. And without objection, your written statements will be made a part of the record.

Mr. Appleton, you are now recognized for 5 minutes to give your oral remarks.

**STATEMENT OF SETH D. APPLETON, PRESIDENT, U.S.
MORTGAGE INSURERS (USMI)**

Mr. APPLETON. Thank you. Chairman Davidson, Ranking Member Pressley, thank you for inviting me to testify today. It is also always good to see my longtime former boss, Mr. Luetkemeyer, on the subcommittee. Since leaving his staff, I have served in a variety of housing policy roles, including as Assistant Secretary of HUD, and now, as president of U.S. Mortgage Insurers (USMI).

USMI's member companies are in the market every day deploying private capital to provide access to low-down-payment mortgage financing primarily to first-time and low- and moderate-income buyers, while simultaneously protecting taxpayers from credit risk. While we cannot solve for the scarcity of affordable housing supply or high interest rates, we can solve for what has been the primary impediment for many borrowers: the need for a large cash down payment.

With private mortgage insurance (MI), homebuyers can put down as little as 3 percent and begin to build intergenerational wealth as homeowners. Private mortgage insurers are critical partners to the Government-Sponsored Enterprises (GSEs), lenders, State housing finance agencies, and others, on initiatives to sustainably expand access to homeownership.

Today, more than \$1.5 trillion in mortgages are backed by private MI, and while private MI provides borrowers access to affordable credit, it also protects lenders, the GSEs, and taxpayers from credit risk by deploying private capital in a first-loss position. One prominent example is the way private MI has helped de-risk the GSEs. Since they entered conservatorship, private mortgage insurers have paid nearly \$60 billion in claims. And every dollar paid by a private mortgage insurer is a dollar that neither the GSEs nor the taxpayers who stand behind them need to pay.

Analysis from the Urban Institute found that the loss severity of GSE loans without private MI was 11.2 percent higher than the severity of losses for loans with it. To that end, if Congress takes up GSE reform, maintaining the congressional charter provision related to private MI and establishing standard coverage as a requirement would ensure private capital can continue to promote safety and soundness in the system.

Now, I would like to talk briefly about additional steps policymakers could take to ensure that private MI can play an even more impactful role to support affordability. While conventional mortgages backed by private MI have been the most-utilized option for low-down-payment borrowers since 2018, several U.S. Government agencies directly insure or guarantee low-down-payment loans, most notably, the Federal Housing Administration (FHA).

USMI recognizes the targeted role of the FHA and the presence and depth of its taxpayer-funded backstop. It is an important complement to the work of private mortgage insurers, particularly in serving those who may not have access to the conventional market. But as a government agency fully backed by taxpayers, FHA's cost of capital and required capital levels are significantly different than those of the private sector. Policymakers should promote a clear, consistent, and coordinated approach to housing finance that prevents undue competition between government programs and the

private sector. When private capital is needlessly crowded out of the marketplace by government-backed programs, it leads to increased risk for the taxpayer.

In the conventional market, GSE pilot programs can also shift risks to the taxpayers that would otherwise be borne by private capital. USMI was pleased when FHA finalized a rule on prior approval of Enterprise products, in which members of this committee took an interest. We believe faithful implementation of this rule will result in proper oversight of GSE pilots in a more transparent and objective process for approving new products and activities.

One other area of concern is the recently-proposed Basel III Endgame regulation. Consumer groups mortgage market participants, and members of the committee have rightly observed that the proposal would negatively impact the ability of certain banks to originate and hold high loan-to-value ratio mortgages in a portfolio.

U.S. bank capital rules should recognize the risk-mitigating benefits of private MI, and promote a level playing field among the GSE's, government programs, and bank portfolio executions.

One other action Congress could take, although outside of this committee's jurisdiction, is to restore and make permanent the individual income tax deduction for MI premiums that was available for tax years 2007 to 2021. USMI thanks Congressmen Buchanan and Panetta for introducing legislation to do just that, the Middle Class Mortgage Insurance Premium Act, of which several members of this committee are cosponsors.

I would also be remiss if I didn't also thank the members of the committee for their work to ensure that the SEC's recently-finalized conflict-of-interest rule did not impair the reinsurance transactions that USMI's members use to manage risk in capital. We greatly appreciate your engagement on this issue, too.

To close, USMI encourages policymakers to continue to recognize the important role private MI plays for low-down-payment homebuyers, the protection it affords to lenders, and the stability it contributes to the overall mortgage finance system.

Thank you.

[The prepared statement of Mr. Appleton can be found on page 46 of the appendix.]

Chairman DAVIDSON. Thank you, Mr. Appleton.

Dr. Hamilton, you are now recognized for 5 minutes to give your oral remarks.

STATEMENT OF EMILY HAMILTON, SENIOR RESEARCH FELLOW, URBANITY PROJECT, THE MERCATUS CENTER AT GEORGE MASON UNIVERSITY

Ms. HAMILTON. Thank you, Chairman Davidson, Ranking Member Pressley, and members of the subcommittee.

I am Emily Hamilton, a senior research fellow at the Mercatus Center at George Mason University, where I am co-director of the Urbanity Project.

Local governments have imposed numerous limits on what kinds of housing can be built and where. Zoning rules, including bans on multifamily housing, restrictions on manufactured housing, and requirements for minimum lot size limit how much housing the mar-

ket can provide, and drive up the price of housing that does get built. These rules are contributing to deteriorating affordability, particularly for households that rent. While the share of households that rent has held quite steady since the 1960s, the share of income the median renter spends on housing has increased by more than 25 percent since then.

Private sector homebuilders can play the primary role in addressing this growing affordability problem, but only with zoning out of the way. I will provide three examples of places that have rolled back land use restrictions making it feasible to build more housing at lower prices: first, minimum lot size reduction in Houston; second, multifamily construction through transit-oriented development in the Washington, D.C., region; and third, legalization of accessory dwelling units (ADUs) in California.

First, reducing minimum lot size requirements in Houston. In 1998, Houston policymakers reduced minimum lot size requirements from 5,000 square feet down to 1,400 square feet within the City's Inner Loop. Houston's reform set off a boom in small-lot, single-family construction. Based on success within the Inner Loop, policymakers expanded this reform to cover the entire City in 2013, and nearly 80,000 small-lot houses have been built since then.

The median house price in Houston is lower than the national median, despite decades of higher population and economic growth than in the country as a whole. And that is, in part, due to this small construction.

Second, allowing transit-oriented development in the Washington, D.C., region. I will be the first to say that the D.C. region has plenty of opportunities to reduce barriers to new housing construction. However, relative to most other high-income coastal regions, here we excel in permitting multifamily construction, particularly along transit corridors.

Beginning in the 1960s, officials in Arlington County, Virginia, began planning for multifamily construction in areas that were originally developed with low-rise commercial buildings. In part based on Arlington's success, policymakers in Montgomery County, Maryland, and Fairfax County, Virginia, have also embraced transit-oriented development in more limited areas. D.C. has followed suit, allowing new neighborhoods to be built in formerly industrial areas like NoMa and the Navy Yard.

Among the regions where many of the country's highest-paying jobs are located, including Boston, Los Angeles, New York, San Francisco, Seattle and Washington, Washington has the lowest median house price. And one reason is because it permits multifamily housing at double or more the rates of Boston, Los Angeles, New York, and San Francisco.

And third, legalizing accessory dwelling units (ADUs) in California. Given the growing housing supply and affordability problems Americans are facing, State policymakers are beginning to set limits on localities' authority to curb housing construction. California, where these challenges are the most dire, has led the way. The State has been particularly successful in legalizing accessory dwelling units. These are typically small apartments located at the site of a single-family house. In some parts of the State, most notably Los Angeles, ADU construction drastically accelerated following

these reforms in 2017. Today, one in four residential permits in the City of Los Angeles is an ADU.

To wrap up, local zoning rules are a key contributor to the U.S. housing affordability challenges. As I have shown, zoning rules limit housing construction, especially relatively low-cost housing construction. Examples from across the country show that where policymakers have lowered these barriers, housing construction has increased. Places that are more open to housing construction see improved affordability compared to their peers with more barriers to new housing. The private market can improve access to housing and reduce house prices when and where it is allowed to do so.

[The prepared statement of Dr. Hamilton can be found on page 56 of the appendix.]

Chairman DAVIDSON. Thank you, Dr. Hamilton.

Mr. Michel, you are now recognized for 5 minutes to give your oral remarks.

**STATEMENT OF NORBERT J. MICHEL, VICE PRESIDENT AND
DIRECTOR, CENTER FOR MONETARY AND FINANCIAL AL-
TERNATIVES, CATO INSTITUTE**

Mr. MICHEL. Good morning, Chairman Davidson, Ranking Member Pressley, and members of the committee. Thank you for the opportunity to testify today. My name is Norbert Michel. I am vice president and director of the Center for Monetary and Financial Alternatives at the Cato Institute. The views that I express here today are my own, and should not be construed as representing any official position of the Cato Institute.

In my testimony, I argue that the best way for the Federal Government to make housing more affordable is to reverse course on many longstanding Federal policies. It is true that home equity frequently represents a large portion of many Americans' wealth, but it does not follow that Federal policy should promote homeownership, or, especially, housing debt. In fact, home equity depends largely on home price appreciation, an attribute fundamentally at odds with affordable housing.

And Federal policies undoubtedly make housing, as well as other goods and services less affordable, particularly because they artificially boost demand in inherently supply-constrained markets. Over approximately the last decade, home price growth rate was nearly double the income growth rate, as through much of the last several decades.

I would like to highlight three particular problems with recent Federal policies. First, through only three institutions, Fannie Mae, Freddie Mac, and the FHA, the level of Federal involvement in housing has been escalating for decades, along with housing costs, a correlation that is no accident. Combined, just Fannie and Freddie stood behind more than half of outstanding mortgage debt for decades, in some years being responsible for a share of close to 70 percent of the market. From 2009 to 2020, Fannie and Freddie alone had an annual share of the mortgage-backed securities (MBS) market averaging 70 percent. If we include Ginnie Mae securities, backed by FHA mortgages, then, the Federal share of the MBS market averaged 92 percent per year over that period.

Second, wasteful Federal spending since 2020 has only worsened the effects of these demand-inducing housing policies. Congress passed 5 massive spending bills starting in November of 2021, totaling \$7.5 trillion. This spending spree worsened inflation and exacerbated both labor market problems and pandemic-related supply chain problems, thus leading to abnormally-high price increases that Americans continue to experience today.

Third, the Federal Reserve has contributed to higher housing costs by continuing to support the MBS market, and therefore, fueling more leverage to buy homes. The Fed is guilty of this policy mistake, even in a low-interest-rate environment, when prices naturally tend to rise reflecting the lower rates.

Prior to the 2008 crisis, the Fed rarely held any MBS on its balance sheet, but now acts as though it can't operate without holding massive quantities of those GSE securities. Between 2010 and 2022, the lowest amount it held was \$827 billion. From March of 2020 to March of 2022, the Fed went from holding \$1.4 trillion to \$2.7 trillion. And although the amount has declined a bit, it still stands at nearly \$2.5 trillion. In the face of rapidly-rising price levels and steadily-rising home prices, this mortgage-backed security purchase policy made very little sense.

More broadly, the problem with virtually all the Federal housing policies that we have is that they were geared toward increasing demand. And because housing markets are almost always supply-constrained, these policies constantly put upward pressure on both prices and rents. These policies include everything from supporting the GSEs, to providing housing allowances to military and other government employees, as well as providing Section 8 vouchers. The economic principles are exactly the same for both assistance and subsidies that pay for housing. They place upward pressure on prices because they increase the number of dollars chasing the same amount of housing.

And they do nothing to address the broader economic or social issues that affect people's ability to earn higher income and build wealth. Nothing, that is, except put people into a riskier economic situation. Congress should start to pare back Federal involvement in housing markets.

And I will close with three, what I call sensible changes: first, define and enforce the excessive use provisions that are in Fannie and Freddie's charters; second, narrow the GSE's focus to the financing of only primary homes, in other words, no more vacation home financing; and third, limit the loan loss coverage in the FHA mortgage insurance program to 50 percent, down from 100 percent.

Thank you for your consideration. I am happy to answer any questions that you have.

[The prepared statement of Mr. Michel can be found on page 59 of the appendix.]

Chairman DAVIDSON. Thank you, Mr. Michel.

Ms. Royster, you are now recognized for 5 minutes to give your oral remarks.

STATEMENT OF ARIANNA ROYSTER, PRESIDENT, BORGER RESIDENTIAL, ON BEHALF OF THE NATIONAL APARTMENT ASSOCIATION AND THE NATIONAL MULTIFAMILY HOUSING COUNCIL

Ms. ROYSTER. Good morning, Chairman Davidson, Ranking Member Pressley, and members of the subcommittee. Thank you for the opportunity to testify today. My name is Arianna Royster. I am the president of Borger Residential, a locally-owned firm with about 10,000 multifamily units. I am pleased to testify today on behalf of the nearly 100,000 combined members of the National Apartment Association and the National Multifamily Housing Council.

I would like to share with you today the housing provider perspective on the affordability challenge, some obstacles we face in meeting this challenge, and several potential solutions. My written statement contains greater detail in all of these areas.

The nation's housing affordability challenge boils down to one simple fact: There are simply not enough rental units to meet the growing consumer demand. Decades of undersupply have set us back. The nation needs 4.3 million new apartment homes by 2035. At the same time, our members report that economic and regulatory challenges are causing them to cut back significantly on development activities, in some cases by as much as 50 percent. Making matters worse is the increasing challenges in operating apartments.

Industry data shows that on average, expenses increased 9.3 percent, with insurance and labor costs as leading contributors. Insurance is especially troubling as some multifamily property insurance premiums soared 26 percent year over year. Out of every dollar of rent collected, \$0.93 is allocated towards operational expenses. With such a slim margin, rising operating costs impact the sustainability of rental housing, while placing additional upward pressures on rents.

The expanding Federal regulatory environment is a growing challenge as well. State and local laws already heavily regulate the relationship between a rental housing provider and their residents. Adding Federal requirements increases market uncertainty, confuses residents and housing providers, and disincentivizes investment in housing.

For example, the White House Blueprint for a Renters Bill of Rights, issued earlier this year, greatly concerns the rental housing industry. While well-intentioned, it contemplates sweeping changes to Federal housing policy, including significant reach by the Federal Government into the relationship between residents and housing providers, and even rent control for property backed by Fannie Mae and Freddie Mac.

The most significant regulatory, administrative, and political barriers to the development of new rental housing are often imposed at the State and local levels of government. These must be addressed to expand access to housing. We urge Congress to consider several strategies to address the housing affordability challenge.

First, redouble efforts to incentivize States and localities to remove or mitigate local barriers to development of rental housing by

passing H.R. 3507, the Yes In My Back Yard (YIMBY) Act. The industry thanks Representatives Flood and Kilmer for their leadership on this important bill.

Second, improve the Section 8 Housing Choice Voucher Program, which is the primary method for helping 2.1 million low-income households to pay their rent. Improvements are needed to encourage more voluntary private sector participation and to streamline regulation so that Federal dollars are used effectively and efficiently.

The Choice in Affordable Housing Act, H.R. 4606, addresses many of these issues. We appreciate the leadership of Ranking Member Cleaver and Representative Chavez-DeRemer for their stewardship on the bill, and we urge the committee to consider this important legislation.

Third, Congress and the Administration must keep the housing provider/resident relationship where it belongs, at the State and local level. One proactive step is to support a bill sponsored by Representative Loudermilk, H.R. 802, the Respect State Housing Laws Act, which ends the Coronavirus Aid, Relief, and Economic Security (CARES) Act's 30-day notice-to-vacate requirement, returning the eviction policy back to State and local levels where it belongs.

Finally, both Congress and the Administration must reject rent control as a viable solution to housing affordability. Decades of research and real-world case study show that rent regulation devastates rental housing and harms affordability. Ensuring an adequate supply of quality housing is critical to continued economic prosperity and household stability for Americans nationwide. Federal policymakers should focus on sustainable solutions and avoid any new policies that further exacerbate existing challenges and inadvertently harm consumers in the process.

I thank you for the opportunity to testify today, and I look forward to your questions.

[The prepared statement of Ms. Royster can be found on page 73 of the appendix.]

Chairman DAVIDSON. Thank you, Ms. Royster.

Ms. Yentel, you are now recognized for 5 minutes to give your oral remarks.

**STATEMENT OF DIANE YENTEL, PRESIDENT AND CEO,
NATIONAL LOW INCOME HOUSING COALITION (NLIHC)**

Ms. YENTEL. Thank you. Chairman Davidson, Ranking Member Pressley, and members of the subcommittee, thank you for the opportunity to testify today.

Housing costs are out of reach for too many of the lowest-income renters in America. In your districts and in your hometowns, rents are far higher than what the lowest-income and most-marginalized people, including seniors, people with disabilities, veterans, and working families can pay. As a result, 10 million of the lowest-income renter households pay at least half of their limited income on rent, leaving them without the resources they need to put food on the table, purchase needed medications, or otherwise make ends meet. Paying so much on rent leave the lowest-income families always one financial emergency or unexpected expense away from facing eviction, and in worst cases, homelessness.

During the pandemic, policymakers responded to unprecedented need with historic protections and resources that cut evictions in half, kept millions of renters housed, and moved many people experiencing homelessness to safety. Many of these essential measures were bipartisan, and they significantly reduced housing instability and unnecessary suffering. During the pandemic, Congress showed that when it has the will, it can effectively and meaningfully help low-income renters and people experiencing homelessness get access to stable housing. And Congress also showed that this can be done in a bipartisan way.

Today, renters are struggling more than ever. Just as pandemic protections expired and emergency resources were depleted, renters reentered a brutal housing market with skyrocketing rents and high inflation. As rents have increased, so, too, has homelessness. The U.S. Government Accountability Office (GAO) has found that a \$100-per-month median increase in rent is associated with a 9-percent increase in homelessness in that community. Over the last few years, rents increased by nearly \$200-per-month. Even with the recent stabilization of rent costs, the rapid inflation during 2021 and the first half of 2022 has done significant damage to affordability, especially for the lowest-income renters. While reducing restrictive local zoning is necessary to ensure the market can respond adequately to housing demand in many communities, such improvements on their own won't make housing affordable to extremely-low-income households.

The market, on its own, can't build and operate apartments that are affordable for households with the lowest incomes, because the rent such households can afford to pay doesn't cover the cost. This is a basic market failure that requires the Federal Government to fill in the gaps to protect tenants and prevent homelessness. This can be done through long-term investments to: one, make rental assistance universally available to all eligible households in need; two, preserve and expand the supply of homes affordable to people with the lowest incomes; three, provide ongoing resources to prevent evictions and homelessness; and four, strengthen and enforce rent protections.

There are a number of bipartisan bills before this subcommittee that would advance these goals and have a measurable impact on the housing crisis. And I urge the committee to advance them. Bills such as the Family Stability and Opportunity Vouchers Act, the Eviction Crisis Act, and other bipartisan bills to improve and streamline existing housing programs, build housing for people with the lowest incomes, improve oversight of Federal disaster housing resources, and increase access to fair and affordable housing.

I also urge this committee and Congress to advance comprehensive solutions, such as those in Representative Waters' two essential bills: the Housing Crisis Response Act; and the Ending Homelessness Act.

The bottom line is this: Rents have skyrocketed, eviction filings are rising, and homelessness is increasing. The country's lowest-income people are struggling to stay housed. But there is a path forward. Congress can, just as it did during the pandemic, act in a

bipartisan way to save lives, save money, and provide housing stability for many people.

Thank you, again, for the opportunity to be here today. And I look forward to your questions.

[The prepared statement of Ms. Yentel can be found on page 88 of the appendix.]

Chairman DAVIDSON. Thank you, Ms. Yentel.

The Chair now recognizes the ranking member of the full Financial Services Committee, Ms. Waters from California, for 1 minute to give an opening statement.

Ms. WATERS. Thank you very much, Mr. Chairman.

I would like to request the ability to take a moment of personal privilege to acknowledge the announcement that our Full Committee Chair, Chairman McHenry, will be retiring at the end of this term. Thank you very much.

Again, I would like to take a moment of personal privilege to acknowledge the announcement that Chairman McHenry will be retiring at the end of this term. I can say that when Republicans took control early this year, many Democrats on this side, including me, were wondering what type of Chairman that Mr. McHenry would be. And two words that are often used are, “fair” and, “respectful.” He has run this committee in a way that respects the importance of debate. Although our side sometimes used the rules to extend that debate, he has ensured that all Members, Democrats and Republicans, have a chance to share their views.

And while we don’t agree on every policy, or many, for that matter, I have personally worked well with the Chair on many issues, from passing a national Emergency Rental Assistance Program and significant resources for Community Development Financial Institutions (CDFIs) during the pandemic, to reauthorizing the Terrorism Risk Insurance Act and the Export-Import Bank. Well, eventually, we got to good on that one—he and I were up until 3 a.m. on that bill. And many of you may not know that we also worked closely together passing legislation before he rose to his leadership position, to improve crowdfunding rules and to enable angel investors to support small businesses.

I will also say that I recognize that this decision to retire was likely not an easy one, but the American public appreciates the service that he and his family have given over the past 20 years. And I hope that the chairman knows that we still have work to do, because I know there are many other items that are possible for us to continue to prove to the American people that bipartisanship is still possible.

With that, I will go on to my 1 minute, if I may.

Chairman DAVIDSON. So ordered.

Ms. WATERS. Thank you.

From urban to rural America, there simply aren’t enough affordable homes. And the gap between supply and demand continues to grow. During one of the worst housing and homelessness crises our nation has seen, House Republicans have put forward proposals that only exacerbate the problem. Namely, they want to slash Federal housing programs by 30 percent and hope the private sector fixes it.

It is also telling that despite mortgage rates nearly quadrupling to 8 percent, and housing costs going up 47 percent since the pandemic, this is the first hearing that we have had that was focused on housing affordability. And so, I am hopeful this hearing finally means that my friends on the opposite side of the aisle are ready to join with Democrats and pass legislation to end the affordable housing and homelessness crisis.

Thank you. And I yield back the balance of my time.

Chairman DAVIDSON. I thank the ranking member.

We will now turn to Member questions, and I recognize myself for 5 minutes.

Mr. Michel, I thought your testimony highlighted the consequences for some of our approach. We spend the money as if tax collection doesn't matter, as if deficits don't matter, and we rack up massive debt. We spend more money than we can collect in taxes. We have spent more money than we can even have people buy up in debt. So the Federal Reserve, as the lender of last resort, has monetized that debt, not just the \$2.5 trillion of mortgage-backed securities, but they have loaded up on Treasuries back when they were really low.

And we have shown, I think, that we can print money. That part of modern monetary theory is true. But we have shown that you can't necessarily buy the same amount of stuff with the money that you have printed. This is showing up in big ways in inflation. And the price distortions of the Federal Reserve's ongoing buying of mortgage-backed securities kind of exacerbates the problem of mortgage-backed securities. Also, the discovery of the right interest rate—frankly, we are not sure whether the rate is artificially high or artificially low because you can't get a true discovery of the price signal.

I just wonder if you could tie together a little more the idea that this does inflate the price? And we are seeing across the country as much as 6 times the median income. Essentially, two incomes is the only way you can afford to purchase a house in this historic metric. Could you talk a little bit more about the price discovery with the demand side policies, and doesn't that lead to a problem where we need more supply?

Mr. MICHEL. You are always going to have supply constraints in housing markets, whether it is the lack of available land where people want to live or whether it is the fact that it takes a little while to build a house or an apartment building. And then, layering on top of that everything that we do from a regulatory perspective to make it easier to get a loan.

So, there is constant pressure to lower down payment requirements, to increase down payment assistance, and to relax underwriting restrictions, even, to make it easier to get a loan with a lower income than previously. All of those things take away any incentive for a seller to lower the price. They do the opposite. They increase an incentive to increase the price and that is what we have been seeing for decades and decades and decades. This has been going on for a long time.

We sort of have short memories, but this happened with FHA in the late 1960s, we kind of took a break, and it came back again in the 2000s, and we are doing it again.

Chairman DAVIDSON. Thank you for that.

I will just turn to Mr. Appleton. When you look at a situation where 82 percent of the market has an interest rate below 5 percent, and rates are closing on 8 percent, this is a dynamic that is affecting prices and availability and supply as well. Historically, people want their homes built, already have a home, they will go with new construction often and that turns into more affordable houses. What is that dynamic like right now in affecting affordability?

Mr. APPLETON. I think, to your point, there is a lock-in effect with those who have homes with historically-low interest rates, coupled with the fact that we have historically underbuilt supply since the great financial crisis, particularly entry-level supply for a lot of the reasons discussed earlier. That is why the private mortgage insurance industry is dedicated to deploying private capital to help creditworthy Americans, home-ready Americans access the mortgage market with less than a 20-percent down payment.

Chairman DAVIDSON. Thank you for that. And I appreciate the interest of the private sector there. But one of the things we are going to highlight extensively this morning is the need to increase the supply of housing to deal with affordability challenges. And one way we do that is through zoning reform, and mandating high-density housing is often something HUD wants to do; they want to reach past local.

Dr. Hamilton, how do we strike this balance between efforts in Washington to have central planners say, no, we know right here you need high-density housing and the ability for local governments and local communities to make their own decisions about their planning and zoning?

Ms. HAMILTON. Thank you, Mr. Chairman.

I do think this needs to be primarily an issue of State and local reform. Generally, the proposals that we hear from the Federal Government are to encourage localities to reform their land use restrictions through Federal spending programs. But there is a mismatch between this tool and the places where we most need to see reform. In general, the most-exclusionary localities are also the highest-income localities where Federal grants may mean the least. I do think there is absolutely a role for Members of Congress and other leaders in D.C. to use their bully pulpits to draw attention to this matter.

Chairman DAVIDSON. Thank you for that. My time has expired.

And I now recognize the gentlewoman from Massachusetts, Ms. Pressley, for 5 minutes.

Ms. PRESSLEY. Thank you, Mr. Chairman. And thank you all for joining us for this critical hearing.

I have been in Congress now for 5 years. The best advice I received in freshman orientation was that in the process of legislating and governing, it is very easy, on long days, to forget the plot. And the plot is the people. And I do believe that on the issue of housing, this committee has lost the plot. It has taken us 11 months to have one hearing on housing, when this is an issue of great consequence in determining health outcomes, and social and economic mobility. It is a transcendent issue. It is urban, it is rural. And when I am in my community—in fact, I had a town hall

last night, a tele town hall, with thousands of my constituents, and housing dominated that discussion, how housing is a fundamental human right. But as home prices have risen and rents have skyrocketed, it is a right that has become less and less attainable for working families across our country, especially in the Massachusetts Seventh District. The cost of a single-family home is 11 times greater than it was in 1980. For a family in the greater Boston area to purchase a single-family home, they would need an annual income of at least \$300,000.

We are pricing out an entire generation from homeownership. This is one of the greatest challenges of our time and we have to confront it and do so thoughtfully and with urgency. Inclusionary zoning laws are a major contributor to our housing shortage. For decades, inclusionary zoning laws have excluded people of color, immigrants, people with disabilities, and low-income families from living in certain communities.

Ms. Yentel, how has single-family zoning and the prohibition on building multifamily housing stifled the supply of housing and raised housing prices?

Ms. YENTEL. One of the challenges in our housing market is the supply of apartments not keeping up with the demand. So in many communities, there are literally not enough apartments for the people who live there or who want to move there. It is often restrictive local zoning that is to blame. These local laws often restrict the construction of any kind of apartments, and especially affordable apartments, which drives up costs for everyone, squeezing the lowest-income people the most.

And these kind of restrictive local zoning laws often maintain and worsen segregation and racial inequities. So, the Federal Government should do all it can to incentivize or require States and localities to remove these restrictive local zoning laws, so that the market can build apartments for middle-income people.

But even when that happens, the housing will not be affordable for extremely-low-income households. Because even if those restrictions aren't in place, the private market, on its own, can't build and operate apartments that are affordable to people with extremely low incomes, because the rent that they can pay doesn't cover the cost to operate and maintain it.

For this kind of a market failure, government intervention, Federal Government intervention in the form of subsidies is necessary to make those apartments affordable for people with extremely low incomes.

Ms. PRESSLEY. Thank you.

And in that our racial wealth gap continues to grow, I am also concerned about the reality of modern-day redlining.

Mr. Chairman, I ask unanimous consent to enter a 2022 article by WBUR entitled, "Black and Hispanic People are More Likely to be Denied Mortgage Loans in Boston," into the record.

Chairman DAVIDSON. Without objection, it is so ordered.

Ms. PRESSLEY. This report found that in Boston, when White applicants applied for a mortgage, the denial rate was approximately 5 percent. But for Black and Latinx applicants, the denial rates were 15.3 percent, and 12.7 percent, respectively. This is modern-day redlining, period.

Ms. Yentel, how does lending and housing discrimination impact the homeownership opportunities for communities of color? And what reforms do you recommend to curtail these unfair practices?

Ms. YENTEL. Discrimination in lending is against the law, but it absolutely continues in practice. And I would share some statistics from our colleagues at the National Fair Housing Alliance that have shown that fair housing complaints in 2022 have been the highest on record, especially complaints around source-of-income discrimination, or discrimination for people experiencing domestic violence has been especially pronounced. And even with the filing rates being as high as they are, many more cases of discrimination go unreported, so the problem is pronounced.

Chairman DAVIDSON. The gentlelady's time has expired.

The gentleman from Florida, Mr. Posey, is now recognized for 5 minutes.

Mr. POSEY. Thank you, Mr. Chairman. And I want to thank the witnesses here today. This may be one of the best panels that we have ever had on this subject. Usually, we just hear, send more money, and you all have brought forth some really good suggestions for improvements.

Mr. Chairman, I do wish we could have also included the National Association of REALTORS on this. I think they have an impact on—

Chairman DAVIDSON. Duly noted.

Mr. POSEY. Next time, hopefully we will include them. You all are really good and I appreciate it. Your suggestions are very enlightening, much broader than usual.

It was especially good to hear what some of the local and State Governments are now starting to actually do to take action to being part of the solution to that problem. But I wonder, if Congress could do just one thing to address the homeless problem, what would that one thing be? And I would like to ask each of you to answer that, starting with Mr. Appleton.

Mr. APPLETON. Yes, I think that if it could do one thing from a financing perspective, it would be to ensure that there is a clear, coordinated, and consistent housing financing policy so that we are not crowding out private capital. And then on the supply side, make sure that we are doing all we can to encourage the construction and development of entry-level housing. I think that is what we have been missing.

Mr. POSEY. Thank you.

Ms. HAMILTON. Thank you, Congressman.

I think that there is an opportunity for the Federal Government to take a more active role in encouraging State or local zoning reform. But we haven't yet seen proposals that are designed right. Such programs should be designed as a race-to-the-top program that rewards housing market outcomes, rather than reforms on paper that may not actually lead to more housing being built at lower prices.

Mr. POSEY. Thank you.

Mr. MICHEL. I will take a slightly different tack there. I think perspective is important here, and I think that the politicians and Members of Congress have an important job in giving that perspective.

In terms of homelessness, we have, according to HUD, roughly .1 percent of our population that is homeless. And I don't really consider that to be a housing crisis. You are talking about roughly half a million people in a nation of 333 million. So that perspective, I think, is very important.

Ms. ROYSTER. Thank you. I would say if we could pass the Yes In My Backyard (YIMBY) Act, because, as we stated, supply is the major issue in terms of housing affordability. I think most of the panel has recognized that. And we need 4.3 million new multi-family units by 2035. Just lowering the barriers for housing development would be helpful.

Mr. POSEY. Thank you.

Ms. YENTEL. Thank you for the question, Mr. Posey.

Ending homelessness requires that we make homes affordable to people with extremely low incomes. That requires subsidies in the forms of rental assistance, expanded section 8 vouchers, in terms of preserving and expanding our public housing programs and other affordable housing solutions for the lowest-income people. And creating an access to this type of affordable housing with wraparound supportive services has been shown again and again in the research and the evidence to be highly effective at ending homelessness. And there are many communities in your district and your State that have effectively ended veterans' homelessness using this housing-first approach.

Mr. POSEY. Very good. Again, I thank the witnesses, and I yield back, Mr. Chairman.

Chairman DAVIDSON. Thank you, Mr. Posey.

The Chair now recognizes the ranking member of the Full Committee, Ms. Waters, for 5 minutes.

Ms. WATERS. Thank you very much.

Mr. Chairman and members, while we sit here calmly talking about housing, I disagree with Mr. Michel. I don't know what you call a crisis, but 75,000 people on the ground in the greater Los Angeles area is a crisis, and 600,000 people in this country on the ground every night is a crisis. So I don't know how you define one, but we cannot have a hearing on affordable housing and not really talk about homelessness.

I am so proud to say that last Congress, under my leadership, Committee Democrats secured critical new investments in housing through the American Rescue Plan Act, which helped re-house people experiencing homelessness and kept over 11 million struggling renters and homeowners housed. We have proven time and time again that when we invest Federal dollars into affordable housing, we can prevent homelessness and evictions. And we can save taxpayer dollars spent over the long run.

But despite the progress we made to promote housing stability during the pandemic, the fact of the matter is that housing costs are too damn high, which is pushing more and more people out of their homes. Indeed, the Government Accountability Office found that with every \$100 increase in median rent, there is a 9-percent increase in homelessness.

Ms. Yentel, can you explain what the research tells us about the leading causes of homelessness? And what are some of the exam-

ples of cost-effective solutions? And whether or not you agree with me that there is a housing crisis?

Ms. YENTEL. There is absolutely a housing crisis, Ranking Member Waters. Thank you for the question.

And housing costs are the primary driver of homelessness. The one thing that all people experiencing homelessness have in common is lack of access to a safe, stable, accessible, affordable home. And the research and the data and best practices show again and again that the best way to address homelessness and end homelessness is to provide access to an affordable home with needed, supportive, wraparound services. And there are many communities, including Los Angeles, that use this housing-first strategy to address homelessness. In the City of Los Angeles, every day, they are able to house about 207 people who are experiencing homelessness, and get them into permanent housing. But on the same day in Los Angeles, about 225 people become newly homeless.

So, we are able to address individual homelessness. What communities aren't able to do is stem the tide of new people becoming homeless, because housing costs are so high. The primary challenge there is housing affordability. And bills like yours, the Housing Crisis Response Act, and the Ending Homelessness Act, would effectively end homelessness in the United States because they provide the level of resources and the proven solutions needed to end homelessness.

Ms. WATERS. Ms. Yentel, I understand that someone here said that the Federal Government is spending money, but they have not been able to solve the housing crisis. Can you explain why, whether it is inflation, or whether it is a loss of a job, or whether it is a COVID, or what have you, that no matter what money you have spent, you may have to spend more because there is a crisis?

Ms. YENTEL. It is all of those things combined. And the housing crisis impacts people differently but across-the-board, there is a severe shortage of homes affordable and available to the lowest-income people. Across the country, there is a shortage of 7.3 million homes, affordable and available to those low-income people. Another way of saying that number is for every 10 of the lowest-income households, there are fewer than 4 apartments that are affordable and available to them. So, the other 6 households are living doubled- or tripled-up, or they are paying 60, 70, or 80 percent of their very limited income to keep a roof over their heads. And when you spend so much of your limited income on your housing, you are always one financial shock, whether it is a broken-down car, a sick child, a missed day's work, or a pandemic, away from missing rent, and facing eviction and in the worst cases—

Ms. WATERS. Are we saying about this is a problem that could occur with any American family, that this is not just about urban living, it is not about rural, it is about everybody?

Ms. YENTEL. The shortage of housing for the lowest-income people is pervasive and it exists in rural, urban, and suburban communities alike.

Ms. WATERS. Thank you very much.

I yield back.

Chairman DAVIDSON. I thank the ranking member.

The gentleman from Missouri, Mr. Luetkemeyer, who is also the Chair of our Subcommittee on National Security, is now recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

One of the problematic features of previous rounds of the Basel count to requirements, in my mind, has always been the concept of importing a regulatory framework developed by international bureaucrats outside of the oversight of Congress and the American public. The Basel III Endgame proposed in July by the Federal Reserve, the OCC, and the FDIC is even more excessive than previous versions. It diverges from Basel, not by appropriately recognizing unique features of our American financial system in a particular housing market, but by ignoring what makes our country unique, and then gold-plating what was developed by bureaucrats in Switzerland.

Mr. Appleton, would you care to comment on how the excesses of the Basel III Endgame will impact the housing market?

Mr. APPLETON. Sure. Thank you for the question.

You are exactly right that the Basel III Endgame fails to recognize the uniqueness of our market and then adds excessive mortgage risk weights on top of it. One of its most significant failures is the lack of credit for private mortgage insurance, and the strength and resilience it brings to our housing finance system. It stands in stark contrast to FHFA's capital rule, it is recognizing its loss-absorbing benefits.

At the end of the day, the Basel III Endgame as proposed will limit the ability of low-down-payment consumers to access credit from commercial banks, depriving them of options and shifting businesses to loans directly or indirectly backed by the Federal Government.

Mr. LUETKEMEYER. Thank you for your answer.

One of the concerns I have is that there seems to be no cost-benefit analysis that was done on this rule. If you talk to the regulators who proposed this, they will admit that. I assume they haven't contacted your entity, your association, to see what kind of cost you would anticipate with the rule?

Mr. APPLETON. No, and in fact, the private mortgage insurance industry adopted a number of enhancements since the last round of bank capital regulations were implemented, and those regulations actually recognized private mortgage insurance. And we have enhanced the industry with robust capital and operational standards at the same time this new proposal provides zero credit for it. So, it is just totally disconnected from reality.

Mr. LUETKEMEYER. Yes, the rule itself is actually a bad deal from—there are so many bad things in it, that they need to start over with it, if they actually want to go down this road, in my opinion. Thank you for that.

This morning, in The Wall Street, there is an article headlined, "San Francisco developers tackle housing woes." And in there, it talks about a new 71-story rental tower that they want to build. But in here, it makes a comment, it says, "Elsewhere, 10 office-to-residential conversion plans have been submitted to the city." And later on, it says, "Property developers say that the plans for the new projects reflect government efforts to reduce costs and elimi-

nate red tape for new construction and conversion of office buildings to apartments." We talked a little bit here just a minute ago about increased costs.

Dr. Hamilton, with this situation here, it points to the problem that we have, I think, in building housing at a cost that people can afford, and we have rules and regulations that in this situation are either being changed or waived to enable people to do this. Can you see this as a benefit, and can you give me an example of the percentage of rules and regulations as it is of the rent, or the cost, I guess I should say, the cost of rent or housing projects?

Ms. HAMILTON. Thank you, Congressman. That is a fantastic question. And, unfortunately—

Mr. LUETKEMEYER. I only ask fantastic questions.

Ms. HAMILTON. Access to data on the specifics of local land-use regulations has been a real barrier to economists producing solid estimates on the portion of housing costs that are due to zoning and other permitting process barriers. But one estimate that is now about 20-years-old finds that in the most expensive metros in the U.S., about half the cost of housing is due to land-use regulations.

Mr. LUETKEMEYER. Fifty percent of the cost. Now, each one of you this morning, I think, talked about rules and regulations and zoning as a cost, but you are quantifying it that about half the cost of a home and/or an apartment is 50 percent due to rules, regulations, and zoning requirements?

Ms. HAMILTON. That is what one study from, again, about 20 years ago found for the San Francisco Bay Area, the most regulated and—

Mr. LUETKEMEYER. That is a 20-year-old figure.

Ms. HAMILTON. That is right. And we know—

Mr. LUETKEMEYER. Oh, my gosh.

Ms. HAMILTON. —it has gotten much worse.

Mr. LUETKEMEYER. Can somebody give me a figure or base of what percentage of an individual—the average income in this country, what percentage of that is used for housing? What percentage of an individual's income, for an average individual making whatever it is in this country, average rate, would go to housing?

Ms. YENTEL. Experts would say that no more than 30 percent of income should go towards housing costs.

Mr. LUETKEMEYER. I am not asking how much should go; I am asking what the figure is today? Does anybody know what the figure is today?

Mr. MICHEL. It is more than half.

Mr. LUETKEMEYER. More than half. So today, the average individual is paying more than half of their income for housing. Is that what you just said? Okay. And we, in fact, have a rule here, where the rules and regulations cost almost half of what the cost is, so there is our problem.

Thank you, Mr. Chairman. I yield back.

Chairman DAVIDSON. I thank the gentleman.

The gentlewoman from New York, Ms. Velazquez, is now recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Ms. Royster, affordable housing communities across the country have faced a volatile insurance market for many years now. There

is growing concern that insurance carriers are walking away from affordable and middle-income housing because liability, umbrella, and other lines of coverage have become out of reach for many property owners. Can you talk about what Congress can do to address this, and how we can ensure that affordable housing properties and renters are not being unfairly treated in the insurance markets?

Ms. ROYSTER. Thank you, Congresswoman Velazquez. We are looking at recent data that shows property owners faced 15 percent in liability insurance increases, and 17 percent in umbrella coverage year over year, but it is also not uncommon to see triple-digit increases, especially in affordable housing communities. This was information that was reported by our members.

But I will speak to you on my personal experience in terms of the rising insurance costs. We manage a number of properties. The majority of our portfolio is in Washington, D.C., and first, the costs have gone up for us from 15 to 32 percent. But more important to note is that there are only a few carriers that will actually write policies in Washington, D.C., which makes the cost unaffordable. I will give you an example of the National Church Residences, that have seen their property insurance liability increase over 400 percent.

Ms. VELAZQUEZ. Do you have any advice in terms of what Congress can do to address this issue?

Ms. ROYSTER. I think Congress should use its regulatory and oversight authority to monitor activity in the insurance market, while looking for ways to drive increased capacity in the insurance and reinsurance markets to bring the cost down.

Ms. VELAZQUEZ. Thank you.

Ms. Yentel, as you know, the housing affordability crisis requires Federal action, such as the collection of data. Unfortunately, there are significant data gaps impacting Puerto Rico, where the housing affordability crisis persists for over 3.2 million American citizens.

I recently urged HUD to include Puerto Rico in the American Housing Survey (AHS), which provides critical information about the nation's housing stock. Can you elaborate on how including Puerto Rico in this survey will help offset the housing challenges, including the lack of affordable housing?

Ms. YENTEL. The American Housing Survey is the only national representative survey that gives us information, not only on housing affordability, but on the quality of our nation's housing stock. The sample size for the AHS is small, so we are only able to get specific information on the 15 largest metro areas and some States. It would certainly be useful if we were able to get information on Puerto Rico's housing stock quality, and having the AHS increase its sample size in order to get that information is important, but HUD would need additional resources in order to do that.

Ms. VELAZQUEZ. Thank you.

Ms. Yentel, it is no secret that low- and moderate-income (LMI) communities and communities of color are often the most impacted by devastating flooding and other climate-related events. We have seen this community's residence of affordable housing or more rental properties can be disproportionately impacted as Federal investment is often directed elsewhere. How can we leverage Federal re-

sources and tools to drive better disaster and mitigation efforts toward the most vulnerable?

Ms. YENTEL. Lower-income communities and communities of color are often located in lower-lying areas, and they are also communities that historically haven't been given the level of infrastructure dollars needed in order to protect people from the subsequent flooding. This creates a vicious cycle of not only keeping people in harm's way, but increased costs then when it comes to emergency response and rebuilding.

Codifying the Community Development Block Grant Disaster Recovery (CDBG-DR) program would be an important step in ensuring that people in these communities get the resources that they need, and that those precious few Federal resources for rebuilding and, in some cases, resilience, are targeted to the communities with the greatest—

Ms. VELAZQUEZ. Thank you, Mr. Chairman. I yield back.

Chairman DAVIDSON. Thank you.

The gentleman from South Carolina, Mr. Norman, is now recognized for 5 minutes.

Mr. NORMAN. Thank you, Mr. Chairman.

And I want to thank all the panelists for being here today.

We talk about affordable, we talk about housing shortage, apartment shortage; this isn't that complicated. When you have anywhere from 23 to 28 percent regulatory and government compliance costs going into the cost of a \$400,000 house, that is \$92,000 to \$112,000 that the homeowners are having to bear.

When you see what I saw happen to the manufactured housing—you have bureaucrats trying to tell them how to make a home more energy-efficient, and mandating the ceiling joist, mandating the duct blaster test, and mandating carbon emissions from a manufactured house that is really one of the few affordable homes that can be built.

When you see credit reports, there is an attempt to take away medical debt that is unpaid. It is insane. And it is very simple: You get government out of the way, you get Federal regulations out of the way, and politicians—I recently used a football analogy—I had a talk show host who was lecturing Nick Saban over what he needed to do to improve his team. I thought, that is how politicians are; a lot of times, we don't know what we don't know, but you get politicians out of the way, this has to be settled on the local level. If you want to increase demand, well, increase housing, make it so the eviction notices can go out. You have to get paid back. Somebody pays for this.

The other thing—we talk about homelessness, but what about the 8 million people who are coming across this border? Where are they going to go? New York City is finding out. What are they going to do with them? So, get government out, stop this flow of people into this country who have not paid into the system, and get the regulators out of the way. You go to your experts. The person calling into Nick Saban, I think, is not the best one to tell him what to do. He is in it. So, go to the experts who actually do it and have their money invested.

Ms. Yentel, let me ask you, since you mentioned making housing affordable, two things: first, define what, "affordable," is;

and second, you call for more rental assistance, more Federal subsidies, but does the Federal Government set the gold standard for financial accountability?

Ms. YENTEL. Affordability means a household doesn't pay more than 30 percent of their income towards rent.

Mr. NORMAN. No, no, no. Give me, "affordable." What is an affordable house, or an apartment? Give me what, in your terms—because I don't know what that is.

Ms. YENTEL. Oh, I just did. It depends on what a person's income is. Different people can afford different amounts towards their housing costs, but nobody should pay more than 30 percent of their income towards rent or towards their mortgage.

Mr. NORMAN. And the Federal Government is the answer for that?

Ms. YENTEL. For extremely-low-income households. When I am talking about households with extremely low incomes, I am talking about, in your district, for example, a single person who has a disability or is a senior, and is on an extremely limited fixed income of about \$12,000 to \$15,000 a year.

Mr. NORMAN. I am running out of time. Get to the—

Ms. YENTEL. Or I am talking about a working family with a combined household income of no more than \$25,000. For these households, the private market on its own—and you can ask any housing developer, whether they are for-profit or nonprofit, they will agree that they can't, on their own, make housing affordable—

Mr. NORMAN. Okay. So, you make it affordable by—

Ms. YENTEL. —for households with such low incomes.

Mr. NORMAN. —by having subsidies from the Federal Government. Is that what you are saying?

Ms. YENTEL. Suppliers and intervention from the Federal Government given the scale—

Mr. NORMAN. And where is that money coming from?

Ms. YENTEL. —in the form of subsidies.

Mr. NORMAN. And where is that money coming from?

Ms. YENTEL. Outlays for housing assistance are about 1 percent higher than—

Mr. NORMAN. Yes, but where is the money coming from, on subsidies that you say the Federal Government—which I think is in the red to a tune of \$36 trillion; where is it coming from?

Ms. YENTEL. I would say 1 percent of outlays—

Mr. NORMAN. Okay, you are using percentages, but you are not answering my question. You really aren't. Just tell me, it is coming from the taxpayers.

Ms. YENTEL. Sure, we can absolutely increase taxes for corporations and for high-income earners in order to afford to have people have their—

Mr. NORMAN. That is a utopian dream that you are talking about.

Ms. YENTEL. —most basic need met, to keep a roof over their head.

Mr. NORMAN. You are saying to put this country further—hold on. Reclaiming my time, because I have 10 seconds left, putting this country further in debt on the number-one indicator of the

economy, housing, is—the more Federal Government, that is the opposite that you want to do in the real world. I yield back.

Chairman DAVIDSON. I thank the gentleman.

The gentleman from New York, Mr. Torres, is now recognized for 5 minutes.

Mr. TORRES. I am just curious, Ms. Yentel, do you think providing every child with an education is a utopian dream?

Ms. YENTEL. I don't.

Mr. TORRES. Do you believe providing every child with housing is a utopian dream?

Ms. YENTEL. No.

Mr. TORRES. And do you believe, like education, no one can be reasonably expected to succeed in America without access to safe and affordable housing?

Ms. YENTEL. Absolutely, and the research shows it again and again.

Mr. TORRES. And on a personal level, I would not be in Congress were it not for public housing and the stability and opportunity it gave me and my family. My own life journey, from public housing in the Bronx to the House of Representatives in Washington, D.C., is a product of public investment in affordable housing.

My Republican colleagues would have you believe that there is excessive government intervention in housing. Now, I will concede that when it comes to land use, there is certainly exclusionary zoning, which has been a barrier to addressing the affordability crisis. But when it comes to funding, the Republican talking point could not be farther from the truth. The problem is not too much government investment in affordable housing; the problem is too little investment. There is insufficient housing supply and insufficient housing subsidy.

What is the extent of the gap between the demand for affordable housing and the supply of affordable housing in the United States?

Ms. YENTEL. For households with the lowest incomes, there is a shortage of 7.3 million homes affordable and available to them. Another way of saying that same number is that for every 10 of the lowest-income households throughout the country, there are fewer than 4 apartments that are affordable to them.

And if I could just say that we talk a lot about the cost of providing housing to be affordable for extremely-low-income people, but we don't talk enough about the costs of inaction. It is not like if we are not providing housing for extremely-low-income people, we are not paying. We are. We pay, as a country, to allow homelessness and housing poverty to persist, and we pay for it through lowered educational attainment, through health challenges for children and families and increased health costs as a result, and for families unable to obtain and retain well-paying jobs.

There is a study from Children's HealthWatch that shows, over the next 10 years, we will pay \$111 billion in avoidable healthcare costs because we allow homelessness to continue to persist. So, we are paying one way or another. I think a better use of funds is to invest in solutions to keep homes affordable for the lowest-income people.

Mr. TORRES. So, homelessness and housing insecurity are not only bad morals; it is bad economics.

Ms. YENTEL. That is right.

Mr. TORRES. During COVID, we saw essential workers, many of them earning minimum wage, put their lives at risk during the peak of the pandemic so that the white collar workforce could safely shelter in place and work from home. Is there a single county in America where an essential worker earning minimum wage could afford a one bedroom apartment?

Ms. YENTEL. There are very, very few communities throughout the country where that is possible.

Mr. TORRES. What about a two-bedroom apartment?

Ms. YENTEL. There is no community where that is possible.

Mr. TORRES. So out of 3,000 counties, there is not a single area in which an essential worker earning minimum wage could afford a two-bedroom apartment?

Ms. YENTEL. That is right.

Mr. TORRES. And do you believe it is wise for Congress to stand by idly while America becomes dangerously unaffordable to its essential workforce?

Ms. YENTEL. No. Housing is a basic human need, and as you said very well, people can't succeed in other areas of their lives if they don't have a home to go to at the end of the day. Children need a place to study. People need a place to unwind. All of us know the value of a home in our lives, and we need to provide that for our essential workers, and for everyone with extremely low incomes.

Mr. TORRES. I do have a number of colleagues who seem intent on substituting free market fundamentalism for evidence-based policy. Is there any evidence at all that the free market, if left to its own devices, unaided by any government subsidy, can magically create the affordable housing that we need at the levels of affordability that we need?

Ms. YENTEL. No. In fact, the evidence very clearly says the opposite.

Mr. TORRES. Suppose there was no government intervention in the form of public housing. Would there be less or more housing insecurity and homelessness?

Ms. YENTEL. More.

Mr. TORRES. What if there was no Section 8?

Ms. YENTEL. More.

Mr. TORRES. What if there was no Low-Income Housing Tax Credit (LIHTC) or tax-exempt bond financing or Community Reinvestment Act (CRA) credits?

Ms. YENTEL. All of these are essential ways that the Federal Government provides resources to ensure that some people with extremely low incomes can stay stably housed. But the funding is far under the need. The Federal Government only provides funding for one in every four households who need housing assistance and is eligible to receive it. So, we have what is essentially a housing lottery system in our country where only the lucky 20 percent gets the help that they need.

Mr. TORRES. Thank you.

Chairman DAVIDSON. I thank the gentleman.

The gentleman from Wisconsin, Mr. Fitzgerald, is now recognized for 5 minutes.

Mr. FITZGERALD. Thank you, Mr. Chairman.

I want to take the questioning in a different direction. Last month, I sent a letter with 16 of my colleagues on this committee to the banking regulators to raise concerns about the Basel Endgame proposed high-risk rates for residential mortgages. One of the major issues that the proposal removes is the ability of banks to use mortgage insurance to reduce the risk rates for low-down-payment mortgages, a departure from existing bank capital rules and the Federal Housing Finance Agency's (FHFA's) capital framework for the GSEs.

Mr. Appleton, you mentioned in your testimony that private mortgage insurance has been around for 66 years. What the committee might not know is that this industry actually was created in, and has deep roots in my home State of Wisconsin. Why is it important for bank capital rules to recognize private mortgage insurance?

Mr. APPLETON. Thank you for the question, Congressman Fitzgerald, and thank you for sending that letter.

By failing to recognize private mortgage insurance in the Endgame proposal, the bank regulators are making it more difficult for banks to serve low-down-payment borrowers, to service mortgages, or even to finance warehouse lines of credit for independent mortgage banks, limiting consumer choice and access to credit. The current rules, as you mentioned, were written before the mortgage insurance industry adopted significant enhancements to its capital and operational standards, allowing for a prudently-underwritten mortgage with mortgage insurance to receive a 50-percent risk rate. So, the new proposal that totally ignores this reality should be rescinded.

For example, as of the third quarter, the industry already holds 169 percent of its required capital, and to your point, FHFA's own capital rule recognizes the risk and capital benefits of mortgage insurance. So, if anything, regulators should be recognizing the strength and resiliency of private mortgage insurance more not less.

Mr. FITZGERALD. We have a situation—and this has come up in the committee before—where you have a lot of young adults, those who have attended school, put themselves in a position, many of them couples who find themselves in a situation of being unable to raise the money for a down payment on a minimal house, which is out of control as a result of the inflation that we have been experiencing across the nation. And they are just unable to come up with the money to make that down payment.

The builders aren't incentivized to create enough starter homes. It doesn't exist. There are not two Americas out there. I wish my colleague from New York was still here. He would have everyone think that there's simply this one take on what is going on across the nation. It is happening everywhere right now.

Ms. Hamilton, you have specifically discussed the need for housing with two to four units per building, which is becoming the norm right now for anyone that is developing anything close to a subdivision anywhere in America. And looking at the amount of housing that gets built in total right now, about 4 units per 100 people is being permitted across the country as a whole. It is the only option left for municipalities who know that once they put the

infrastructure in the ground, the costs associated with any subdivision are going to be completely out of control.

We are talking about modest communities that no longer can put a subdivision in place with housing that is any less than \$500,000 per unit, which is clearly out of the reach of almost all Americans who find themselves trying to get their first mortgage. What is the reason for the drop in these types of housing, and is there any type of Federal solution that could help with that?

Ms. HAMILTON. Thank you, Congressman. You are absolutely right that permitting rates are way down from what we have seen relative to times when housing was more broadly affordable. And this is due, both to local zoning rules, the rules on the books that limit how much housing can be built and limit the availability of relatively low-cost types of housing, such as duplexes, triplexes, fourplexes, or small lot development, and it is also due to local permitting processes that really lengthen the time and add costs to the building of any type of new housing. I do think this needs to be addressed primarily at the State and local levels, although efforts to encourage this reform from Congress are more than welcome.

Mr. FITZGERALD. Thank you, Mr. Chairman. I yield back.

Chairman DAVIDSON. Thank you.

The gentleman from Nevada, Mr. Horsford, is now recognized for 5 minutes.

Mr. HORSFORD. Mr. Chairman, Ranking Member, we are 122 days, nearly a year into the 118th Congress, and we are finally having our first hearing on housing affordability. Congratulations.

Chairman DAVIDSON. Will the gentleman yield?

Mr. HORSFORD. No, I will not, because during the previous Chair's leadership, Chair Waters, Committee Democrats held 55 hearings on housing-related issues last Congress. That means I would have had 275 minutes to talk about the issue that is of prime importance to my constituents. I only have 5 minutes, so, no, I will not yield.

We are in the middle of a housing affordability crisis that is crippling our country. There have been shocking 47-percent increases in national home prices since May of 2020, and that has driven many Americans even further away from the dream of homeownership. Far too many households are forced to continue to rent, and they face unique challenges of their own as our limited supply of housing simply cannot meet the ever-growing demand.

The National Multifamily Housing Council estimates that we need to add nearly 3.7 million new apartment units a year to keep up with the demand—that is only to keep up. Even at that pace, we won't even begin to deal with the estimated 14 million unit shortfall that renters face today. For the 21.6 million American households that spend over 30 percent of their monthly income on rent, they simply can't afford to wait any longer, so this hearing is long overdue.

My district in Las Vegas has been one of the hottest real estate markets in the country since the pandemic. And whether a family is looking to purchase a home or simply rent month-to-month, they are seeing their costs increase through the roof. As you can see, since 2015, Zillow data shows that there has been a drastic 75-percent jump in the typical rent in Las Vegas, to over \$1,800 a month.

And with an average renter's household income at \$51,000, the rent affordable at that income is well short of that, \$1,286.

When we look at the most-vulnerable and lowest-income renters, the statistics from the National Low Income Housing Coalition become even more alarming, with a staggering 90 percent of these households facing a difficult cost burden. This should come as no surprise when home sales volume remains depressed, and the average household spends a burden of 29.6 percent of their income on mortgage or rent.

And we can see that most of these low-income households are severely cost-burdened, which means that they are spending over half of their income each month just to remain housed. These families are trapped, paying an outsized portion of their income on rent, which limits their ability to build up enough savings for a down payment, and then further perpetuates the racial homeownership gap.

And yet, thus far, this subcommittee has been uninterested in advancing any meaningful housing policy during the first session of this Congress. I call foul. An all-of-the-government approach is required to address this crisis, and we need to look both at how to incentivize increases in our housing stock, and also how to ensure the homes we do have are sold to real families, households that will form the backbone of our economy.

That is why earlier this year, I introduced the Housing Oversight and Mitigating Exploitation (HOME) Act, to give HUD the data necessary to understand the severity of our housing shortage, and to protect everyday Nevadans from being exploited by out-of-State corporate speculators. These massive corporations have been able to pay cash during this period of high interest rates, which has allowed them to purchase almost a third of the homes sold in certain ZIP Codes, one in three. And it is unlikely that the homes that they purchase will ever appear on the housing market again.

So, I am deeply concerned by reports, corroborated by Redfin data, that these corporate speculators predominantly target neighborhoods of color and single mothers. The HOME Act would give HUD the tools necessary to investigate these allegations. Not only will HUD be able to collect the necessary data on who these speculators are targeting, but it also gives HUD the tools necessary to ensure that we have a level playing field.

I know my time is concluding, and I want the American people to know that we only get 5 minutes. And this is the first hearing. Had we had 55 hearings, I would have had 295 minutes to make my case, but because House Republicans don't want to talk about this issue, we don't have the time to advance the policies that matter to the American people. I am mad, I am pissed, the American people are pissed, and my constituents are pissed that we don't make housing more of a priority in this Congress. I will yield back now.

Chairman DAVIDSON. The gentleman's time has expired. The gentleman's time has thoroughly expired.

And the gentleman from New York, Mr. Garbarino, is recognized for 5 minutes.

Mr. GARBARINO. Thank you, Mr. Chairman.

There is no sugar-coating the fact that our nation is facing a housing shortage, with housing affordability at historic lows for both homeowners and renters. My district in Long Island is no different. Just a little over a month ago, the median home price in Suffolk County reached a record \$600,000, an increase of over 9 percent compared to a year ago.

When combined with the fact that the average interest rate for a 30-year loan is still well above the sub-4 percent rate that homebuyers were used to seeing just a couple of years ago, it is no surprise that many first-time homebuyers struggle to enter the market. Additionally, for many people, saving a down payment of 20 percent can also be a significant barrier to buying a home. I couldn't even do it, and now, in Long Island, it is about \$120,000.

Given these roadblocks, there are a number of market-based solutions that can play an important role in helping first-time homebuyers. One of those solutions is private mortgage insurance—which I took advantage of when I bought my house—which has put homeownership in reach for millions of qualified borrowers for 60 years.

Mr. Appleton, can you explain how private mortgage insurance benefits homebuyers, taxpayers, and investors?

Mr. APPLETON. Thank you for your question, Congressman.

Private MI benefits homebuyers by eliminating the need to come to the closing table with tens, or even hundreds of thousands of dollars in cash for a down payment, it benefits taxpayers by standing in a first-loss position ahead of the GSEs and the taxpayers who ultimately stand behind them, and it benefits investors by promoting safety and soundness in the overall housing finance system.

Mr. GARBARINO. Are there government barriers to private mortgage insurance serving a broader role in the market?

Mr. APPLETON. I think that is a great question. First, establishing a clear, consistent, and coordinated housing finance policy would ensure that private capital is not unnecessarily crowded out of the marketplace by programs fully backed by taxpayers. Second, we should ensure faithful implementation of the prior approval of Enterprise products rule to prevent the GSEs from engaging in inappropriate pilot programs that would cause the Enterprises to participate in the primary market, compete with the private sector, and shift risks to taxpayers.

Mr. GARBARINO. I appreciate that, and as I said, if it wasn't for private mortgage insurance (PMI), I wouldn't be able to own my home now; I wouldn't have been able to buy it, and I wouldn't be able to afford the increases that we have seen over the past couple of years, so I thank PMI for its existence.

Mr. Michel, while we have discussed one longstanding option for homebuyers to take advantage of in order to make homeownership more obtainable, there are still a number of other regulatory barriers that hamper the private market. Reducing the number and scope of some of these regulations could do a lot to lower costs of homeownership in the United States.

However, given how highly regulated the housing mortgage markets are, I want to focus for 1 minute on the flip side of the issue: What proactive actions could the FHFA take in order to pave the way for more private-market innovation and options for consumers

as we seek to reduce the cost of home buying and homeownership, not just for Long Islanders, but for people all over the country, whether we are talking about the construction space or even the mortgage insurance space, do you agree that additional innovation and competition and more choices would benefit consumers?

Mr. MICHEL. Yes, they would, and you are not going to have that unless or if you keep crowding out—I don't mean you—if the government keeps crowding out the private sector. Reducing conforming loan limits is one way. The original charters of Fannie Mae and Freddie Mac have an excessive-use provision; it was never meant to replace the entire market, it was meant to supplement the market. And it hasn't ever done that. It has always increased until it has dominated. That provision has never been defined, and it has never been enforced, so those would be two ways right off the top.

Mr. GARBARINO. I appreciate that. I was in private practice, and I did a lot of closings, and just the conventional home mortgage market as well as PMI really helped people with homeownership. I saw the problems under certain issues—if you got an FHA loan, it really costs a lot to a consumer, and PMI and home mortgage really do work with consumers, and I think help them get the best deal and help them not just buy a home, but keep it.

I just want to make a quick statement in support of the Low-Income Housing Tax Credit before I close out today. I would like to raise one other solution that is outside this committee's jurisdiction, but would help address our nation's housing shortage, the affordable housing tax credit.

Since President Reagan, the housing credit has been a successful public/private partnership that leverages the capital we need to develop more affordable homes for seniors, disabled veterans, and working people. And nowhere is this more evident than in Long Island, where the demand for affordable housing aggressively outstrips supply. That is why we need to expand this credit by enacting H.R. 3238, the Affordable Housing Credit Improvement Act, on a bipartisan basis.

And I would like to yield to the Chair my remaining time.

Chairman DAVIDSON. I thank the gentleman.

I will point out this is our fourth hearing on housing, and while that doesn't quite keep pace with 13, I will note that 13 didn't fix the housing crisis.

The gentlewoman from Colorado, Ms. Pettersen, is now recognized for 5 minutes.

Ms. PETERSEN. Thank you, Mr. Chairman.

And thank you all for your time and expertise. I really appreciate being here and having the opportunity to hear from all of you.

I represent Colorado's Seventh Congressional District. I am very lucky to have been born in Colorado, and what we have seen in the time that I have lived there—it is actually my birthday, so that's 42 years of living in Colorado—we have seen an exponential increase in the value of homes, and when I think back to when I bought my first house, housing has tripled in just a short amount of time.

It is really the perfect storm, and I know we have talked at length about this today, but when we think about the housing cri-

sis in 2008, that took out many homebuilders, and we still haven't recovered from that. We also saw our economy expand with the investments to keep our economy afloat during the pandemic, but unfortunately, our supply chain was decimated as well as with the increase with our economy booming, with the workforce shortage across industries, it has significantly impacted the housing market.

One of the very easy ways that we could help address that issue is actually coming together on legal pathways for people to work here, and it is what I hear from the construction industry constantly, but this is something that really hits home for me. I think that far too often, people in Congress haven't had the personal experiences with which so many people are struggling.

I grew up in a home where my dad lost his house and faced homelessness. My mom was one of the very lucky people who actually qualified for Section 8, which saved her life. I have also seen family members who were forced to live on the streets because there was a lack of access to housing and substance use disorder treatment.

And so, when we talk about, if we don't pay the upfront costs of actually investing in this, it comes on the back end tenfold to our local, State, and Federal Government dollars. I want to thank you for highlighting that, Ms. Yentel, and I want to just bring it back to specific policy ideas, since we have limited time.

The YIMBY Act, Ms. Royster, thank you for calling that out as an important first step forward on actually having our local and State Governments look at their restrictive land-use policies, but what in addition to this should we be doing? We talked about restricting their ability to actually have these policies at the local level, trying to bring some carrots to incentivize them to move in the right direction, but for all of you, what can we do at the Federal level beyond just general ideas to help support ones that use local investments?

Ms. YENTEL. I am glad to give the first response to that. Happy birthday, by the way. We support the YIMBY Act, it is an important piece of legislation, and we think it should be enacted. We also think we can go further on requiring local communities to do more to remove restrictive local zoning, and we can do that by tying those requirements, or incentives, to Federal dollars. And we should look outside of the housing dollars to big infrastructure dollars, the kind of dollars that more-exclusive communities want to receive, and would be more willing to make changes in order to do so.

But also, we need to expand subsidies to make homes affordable to extremely-low-income people, and we should do that through expanding rental assistance to make it universally available to all households in need. We should preserve and build more housing that is affordable to extremely-low-income people through programs like the National Housing Trust Fund. We should continue highly-effective programs, like Emergency Rental Assistance, to prevent evictions, prevent homelessness, and we should put forward and then enforce robust tenant protections to keep people stably housed.

Ms. PETERSEN. Thank you

I know we don't have a lot of time to get into this, Mr. Appleton, but I wanted to ask you about what you all are doing to make sure that people know, and that you are advertising access to loans without a 20-percent down payment that is really restrictive while people are actually saving to make that investment they are once again far out of reach of being able to qualify for.

Mr. APPLETON. Yes, thank you for that. It would take the average household, earning the national median income, 35 years to save the down payment for the average, national median-priced house. So, we were active in local communities with homebuyer education resources, spreading the word that you do not need 20 percent to become a homeowner right now.

Ms. PETTERSEN. Thank you, I yield back.

Chairman DAVIDSON. The gentlelady's time has expired.

The gentleman from New York, Mr. Lawler, is recognized for 5 minutes.

Mr. LAWLER. Thank you, Mr. Chairman.

Apparently, my colleagues seem to think that the number of hearings we hold translates to actual legislation passing. In the last Congress, there were roughly 55 hearings on housing and housing affordability, and yet, zero bills were enacted into law under Build Back Better, or the Inflation Reduction Act that the former Chair of this committee was pushing for; these bills were so bad that even the Biden Administration rejected them.

And yet now, we are dealing with a 20-year record high on mortgage interest rates. New York City has 50,000 vacant units, in part, because of its draconian rent control laws, and the laws passed by the State legislature that require these units to be brought up to code. Taxes go up, energy costs go up, and yet, they are arbitrarily capped at what they can charge for rent. So, what happens? They choose to leave it vacant, and take the tax write-off instead. Bang up job. Good policies. These are really working out well.

We have 6 million units underbuilt. How do you meet the supply need when the cost of living is through the roof, the cost of doing business is through the roof, the cost of goods and cost of construction, and the cost of energy, all driven by horrifically bad policies when Democrats had complete control of Washington, complete control in Albany, complete control in New York City. And yet, they are shocked that we have a housing crisis and that we have an affordability crisis.

Maybe, we should consider changing our policies. Maybe, we should look at how to reduce the cost of living; reduce the cost of construction; reduce the cost of doing business. I don't know, maybe actually increase domestic production of energy. That might help. No, why would we think about this logically? So, when I hear my colleagues complain about the number of hearings, my God, stop worrying about the number of hearings and start worrying about the actual damn laws that we are passing. That is a better idea.

Housing affordability is a persistent challenge. With mortgage rates at multi-decade highs, limited supply, and continued supply-chain and construction issues, for many, it is the most difficult time to purchase a home in a generation.

The market is further complicated by the extraordinary circumstances of many homeowners unable to sell their home for fear of losing their low-fixed-rate mortgages obtained prior to the rapid increase in interest rates

These among other factors have forced many potential homebuyers into the rental market, driving up rental demand and prices with it. In Rockland and Westchester Counties in my district, according to the National Association of REALTORS, the monthly cost of a mortgage is \$1,000 more today than it was last year. And in Putnam and Dutchess Counties, it is at least \$800 more per month.

In both instances, these are additional housing costs of almost \$10,000 or more a year. For many families, it is totally unsustainable.

This topic is critical, which is why last month, I held a comprehensive roundtable discussion in my district on the housing issues that have significantly affected the local area, and which included a diverse group of stakeholders, elected officials, government agencies, nonprofit organizations, and key figures from the real estate industry, including developers and REALTORS.

While there are some existing efforts that should be improved and expanded upon such as the Affordable Housing Tax Credit, we need to be working to remove the governmental barriers that drag approvals out for years, drive up costs, and disincentivize the investment and participation our constituents need. It has been mentioned a number of times the impact of regulation on the cost of housing, and the disincentivization of building, and the flawed attempts of government to intervene on this topic.

This has been at the forefront of New York in the last few years, where we have seen a blend of heavy regulation with ham-fisted attempts by the Governor to circumvent regulation with unrealistic arbitrary mandates to build housing in areas that don't have the requisite situation to do so, including a lack of infrastructure. We have to look at this holistically, and we need to change course. These policies are not working.

With that, I yield back

Chairman DAVIDSON. I thank the gentleman.

The gentlewoman from Michigan, Ms. Tlaib, is now recognized for 5 minutes.

Ms. TLAIB. Thank you all so much for being here. We already know the average renter now pays over 30 percent of their income on rent. I know in the Detroit metro area, in my communities, there are 3 extremely-low-income renter households for each unit that is both available and affordable.

So, the housing crisis is real. That is something, I guess, we can all agree on. But what I find very, very questionable is the assertions motivating today's hearing. It strikes me as odd to hear criticism of, "An outsized government presence distorting housing markets by supporting low-income families, when the billions of dollars in benefits provided by mortgage interest deduction to wealthy households go unquestioned completely."

Moreover, before government intervention, many of the foundational elements of our housing finance system, like the secondary mortgage market, simply didn't exist.

Ms. Yentel, when did the long-term fixed-rate mortgage option become widespread? Who created it?

Ms. YENTEL. It was under the New Deal that we started to have longer-term mortgage rates of—

Ms. TLAIB. That is right.

Ms. YENTEL. —15 years, and then it increased steadily.

Ms. TLAIB. That is right. Before the New Deal era reforms, our typical mortgage had variable rates and came due in 3 to 5 years. Fixed-rate long-term mortgages were virtually nonexistent. This is just one of many examples demonstrating the limits of what we call private market solutions.

Ms. Yentel, even if we eliminated all regulatory barriers today holding back our housing markets, would market-rate housing be affordable for all families?

Ms. YENTEL. No, it wouldn't be affordable for extremely-low-income households.

Ms. TLAIB. As you stated in your testimony, our Federal subsidies are, "necessary to fill the gap between what the lowest-income people can afford to pay and the cost of developing operational rental homes." Why?

Ms. YENTEL. Because private operators can't build and operate housing on their own without subsidies, and make those homes affordable for the lowest-income people. We have heard today several Republicans talk about the importance of the Low-Income Housing Tax Credit program, which is an important program that can be further improved to serve the lowest-income people. But I believe that is a helpful recognition that Federal subsidies and intervention are necessary to make homes affordable.

Ms. TLAIB. Yes, I believe government interventions are not without any shortcomings. I agree on that. But historically, our housing policies, in particular, have been undermined by racial exclusion, and bias, really, towards working families in my community. And some Federal policies, like the Faircloth Amendment, for instance, are an obstacle to building more affordable housing; we know this. But when Congress provides housing assistance to only one out of four eligible households, while saddling public housing with a \$70-billion capital backlog, we must be honest with ourselves about where the problem lies.

Another example of the limits of a private market relates to providing small-dollar mortgages. And I talked to the Secretary of HUD about this. For a bank, the fixed costs are the same to originate a small loan versus a big loan, which makes small loans less profitable.

So, Ms. Yentel, what policy levers are available for the Federal Government to increase support for small-dollar mortgages? In my community, in some communities, over 30 percent of mortgages are less than \$100,000, but they are not getting access to these mortgages.

Ms. YENTEL. That is a question on which I would be glad to get back to you with further information.

Ms. TLAIB. Are there Federal subsidies right now that can be provided for loan origination and servicing?

Ms. YENTEL. That is outside my area of expertise.

Ms. TLAIB. I know millions of Americans and families are struggling right now. But it is access to small-dollar mortgages. It is the fact that we have some of these amendments and policies in place that really cause these barriers. But what I don't like is the fact that we think the private market is going to fix its own. And I have seen it, again, in my own community when we see over and over again that banks and other institutions have policies in place that are geared towards one community over another.

I see it where Michigan lost more Black homeownership than any other State in the country, and I really believe it is because of the weakened CRA. It is because we are not enforcing the Fair Housing Act like we should be. And this is where we come in as a committee to talk about those real obstacles; there is nothing wrong with saying, hey, we have to do better.

You should literally talk about where you function in Wayne County if over 50 percent of the housing market is less than \$100,000 worth—the home is worth, or being put out for sale. Then, why aren't we saying to our banks, we will help, let's get these loans out, let's get homeownership increased?

Thank you so much. I yield back.

Chairman DAVIDSON. I thank the gentlewoman.

The gentleman from Nebraska, Mr. Flood, is now recognized for 5 minutes.

Mr. FLOOD. Thank you, Mr. Chairman

And happy birthday to our colleague from Colorado this morning.

Housing affordability has become the number-one issue in Nebraska, and I am pleased that we are focusing on the problems at hand in this committee. When we talk about housing affordability, we need to have a conversation that is really focused on, what is driving the cause in my home State, which, unlike my colleague from New York, is a lack of supply of housing in the marketplace. We can subsidize all the housing we want at the Federal level, but regardless of how much money the Federal Government spends, if housing stock doesn't increase, the problem persists. If you want to make housing more affordable, you increase supply. If you want to make it more expensive, pour money into vouchers and subsidies.

Before jumping into a conversation about zoning restrictions, I want to briefly mention manufactured housing. Manufactured housing has the potential to be an affordable alternative that lowers the cost of housing overall for single-family units, and I am pleased to see that manufactured housing is part of the discussion today, and that there is some hope that there is legislation attached to the hearing on that topic.

Now, back to zoning. I am the proud Republican lead on the Yes In My Backyard (YIMBY) Act with Congressman Kilmer. This bill would require Community Development Block Grant recipients to report on the policies they use related to zoning restrictions. Once we have comprehensive and comparable metrics for zoning restrictions across different jurisdictions, it will be easier to identify the full impact these policies will have on housing costs.

Our witnesses come from all different unique perspectives, and I have enjoyed hearing from some of them on this important bill.

Ms. Royster, could you please explain how zoning restrictions can impede the development of rental housing?

Ms. ROYSTER. Thank you, Congressman. I will give you examples where barriers were lowered and it increased development in rental housing. In 2023, several States and localities enacted YIMBY-related legislation to spur housing development. California has passed reforms to allow faith groups to build affordable housing on their property. And legislators in Montana passed a series of bills which would allow for backyard accessory dwelling units (ADUs), and allow apartments in commercial areas.

And on the other coast, Vermont bundled zoning reform into a single sweeping bill which will take effect next year, dropping lot sizes, legalizing duplexes and fourplexes, and limiting minimum parking requirements. These are just a few States which have begun to recognize the important nexus between the discriminatory land-use practices, and undersupply of housing. As these and other land use reforms take effect, we will see an increase in housing supply.

Mr. FLOOD. Thank you, Ms. Royster. I appreciate that.

Ms. Yentel, can you explain the National Low Income Housing Coalition's support for the Yes In My Backyard Act?

Ms. YENTEL. Yes, thank you. We do support the bill. It is an important way for communities to have more resources and increased incentives to address restrictive local zoning, which is a part of the puzzle that needs to be solved. So, we are supportive of the YIMBY Act.

Mr. FLOOD. Thank you, Ms. Yentel.

Dr. Hamilton, you included some examples of localities that cut land-use regulations in your testimony. Can you walk through some of those examples for us? What were the resulting effects of those policy decisions?

Ms. HAMILTON. What we see is that in places that reduce barriers to housing construction, the market responds by providing more housing, at more reasonable prices, and accessible to more households. Thank you for your attention on manufactured housing as one piece of getting the rules right to facilitate broadly-accessible housing.

Nebraska is one of the few States that requires its localities to allow manufactured housing to be sited anywhere that a site-built house would be allowed, and Congress could go further by removing the permanent steel chassis requirement on manufactured housing to make this type of housing more flexible, and able to serve a wider variety of households.

Mr. FLOOD. Thank you very much.

Mr. Michel, you also mentioned zoning restrictions in your testimony. Would you care to add your perspective on how government restrictions decrease housing supply? And you only have 30 seconds, so, I'm sorry.

Mr. MICHEL. I am in agreement with Dr. Hamilton, and I don't necessarily think that it is a particularly, or mainly a Federal problem, but but they are real, and they matter.

Mr. FLOOD. Right. Our witnesses today, to the chairman's credit, represent a wide range of players in the housing space. Let the record show that we have extensive support on the Yes In My Backyard Act from our witnesses today. I appreciate all of your testimony and your time. And with that, I yield back.

Chairman DAVIDSON. I thank the gentleman.

The gentlewoman from Georgia, Ms. Williams, is now recognized for 5 minutes.

Ms. WILLIAMS OF GEORGIA. Thank you, Chairman Davidson.

And thank you to all our witnesses for joining us today for this very important conversation.

I represent Georgia's Fifth Congressional District, centered in my home City of Atlanta. It is no secret that my district has one of the largest racial wealth gaps in the country. Affordable housing lays the foundation for financial stability, economic mobility, and wealth-building. Without it, the racial wealth gap will continue to grow.

Over 2,000 Atlantans are experiencing homelessness due to the lack of affordable housing, while nearly half of Atlanta's renters are cost-burdened. But despite these pressing challenges, Atlanta is short more than 130,000 affordable housing units—130,000. And some that we do have, have been deemed uninhabitable.

Last year, all of the residents of Forest Cove, an affordable housing complex in my district, were forced to relocate because of excessive mold, broken windows, burned buildings, and other issues that made the complex unlivable. And this is unacceptable. "Affordable" is not a synonym for poor, low quality, or unsanitary. Affordable means inexpensive and reasonably priced to meet people's budgets, to build their lives and have the opportunity to build wealth. My constituents need affordable housing that is also safe and comfortable, and yes, even desirable.

Ms. Yentel, what can we expect to happen if Congress continues to kick the can down the road on this housing crisis, if Republicans are successful in slashing the Federal housing budget, and if there is continued finger pointing at States and local governments to do the work alone?

Ms. YENTEL. The housing crisis will worsen, and already, by nearly all measures, the shortage of housing for the lowest-income people and the lack of affordability is worse than it has been on record. And the issue that you raised about Forest Cove is very important, and it points to the fact that we not only need to be providing new subsidies for more families to have housing that is affordable to them, but we have to focus on preservation of existing affordable housing stock.

And in the public housing, the public housing capital needs are beyond \$70 billion just to fix up the existing public housing infrastructure to make it safe and sanitary and habitable for the people who live there today, and to preserve it for future generations. Because we so woefully underfunded, preservation of public housing and also Project-Based Rental Assistance and other types of affordable housing, we are losing 10,000 to 15,000 units a year of public housing to obsolescence or decay. So by not further investing in maintaining our critical affordable housing infrastructure, we are worsening the shortage of homes for the lowest-income people.

Ms. WILLIAMS OF GEORGIA. Thank you, Ms. Yentel. And I am glad that you, as well as one of my colleagues, brought up inventory, because the inventory plays a crucial role in housing affordability. When complexes like Forest Cove are unlivable, it forces families to find more-expensive places to live, uprooting lives, and

putting even more strain on our limited supply of affordable housing.

And as if dwindling inventories of affordable housing weren't enough, too many families in my district and across the country are facing outside competition from massive investment firms. When they think they are ready to make the leap to buying a home, they are cut off at their ankles by investment firms. Families are being outbid by investment companies which are buying up single-family homes at astonishing rates. Just in Atlanta, large institutional investors own nearly 72,000 single-family properties, according to the Urban Institute.

Yesterday, I co-led the introduction of Congressman Adam Smith's End Hedge Fund Control of American Homes Act, to put an end to this and make sure that families who have the means and the ability to purchase a home are able to do so. Over a 10-year period, this important legislation would reduce the number of single-family homes owned by hedge funds, putting the power to purchase back in the hands of families, so that they can start building equity, and more importantly, building their lives and helping to close the racial wealth gap.

Ms. Yentel, how has the rapid entrance of hedge funds and other institutional investors into the single-family housing market impacted the ability of low- and middle-income families to buy a home?

Ms. YENTEL. In many of the ways that you raised. And I would add that it also creates challenges for the people who rent those single-family homes that are owned by institutional investors. In general, institutional investors are among the worst actors in the housing field when it comes to landlord/tenant relations. And the research and the data show that those institutional—

Ms. WILLIAMS OF GEORGIA. Ms. Yentel, unfortunately I am out of time. I have more questions that I will submit for the record.

Thank you, Mr. Chairman. And I yield back.

Chairman DAVIDSON. I thank the gentlewoman.

The gentlewoman from Texas, Ms. De La Cruz, is now recognized for 5 minutes.

Ms. DE LA CRUZ. Thank you, Mr. Chairman, for holding this hearing today. And I thank our witnesses for appearing before us.

This is an issue that is close to me, as I believe that people in south Texas, Americans, understand the very real impact of rising housing costs. More and more Americans continue to see their housing expenses rise as their single-most expensive monthly cost. Inflationary pressures have pushed interest rates up, and added premiums which are unaffordable to some would-be homebuyers. And since the pandemic, Washington has only made this issue worse by pumping trillion of dollars of Democrat-sponsored spending into the economy.

Mr. Appleton, as you know, there are several factors in the mortgage market simultaneously hindering an increase in the housing supply. Our current high-interest rate environment both increases costs to borrowers, and also, disincentivizes existing home sales from homeowners locked into lower rates. We now also see the potential for the Basel III proposal to dramatically increase capital requirements, and in turn, potentially increase the risk weighting

of single-family mortgages. My question is this: Can you elaborate on the negative impact that this would have on mortgage affordability and mortgage availability?

Mr. APPLETON. Thank you for your question, Congresswoman. If finalized, the proposed Basel III Endgame would limit the ability for certain banks to provide access to credit for low-down-payment borrowers, including many first-time low- and moderate-income and minority borrowers. The rule should recognize the loss-absorbing benefits of private mortgage insurance in determining the loan-to-value ratio-based risk weights, but it doesn't. So, restoring that recognition would encourage innovation in portfolio lending and level the playing field to ensure consumers have access to a broad array of low-down-payment financing options across bank portfolio products, GSEs and government agency executions.

Ms. DE LA CRUZ. Absolutely. And I am going to have you repeat this: You said that the Basel III would have a significant impact on minorities? Is that correct?

Mr. APPLETON. Communities of color and minorities are less likely to have the intergenerational wealth to bring a large down payment to the closing table. And by Basel's risk weights and lack of recognition for private mortgage insurance, it is going to make it uneconomical and very difficult for banks to engage in that type of lending.

Ms. DE LA CRUZ. So, where we have my colleagues on the other side of the aisle who say that Basel III is actually going to help minorities, what I am hearing from you is that it is actually going to hinder minorities in their dream of owning a home. Is that correct?

Mr. APPLETON. Yes. I think there has largely been alignment among consumer groups, mortgage market participants, and members of this committee on both sides of the aisle that Basel III is going to be negative for low-down-payment borrowers, including low- and moderate-income and minority borrowers.

Ms. DE LA CRUZ. So, now that we are all in agreement that housing affordability is at historic lows, is now the right time for regulators to further restrict access to capital?

Mr. APPLETON. Absolutely not.

Ms. DE LA CRUZ. Mr. Michel, along the same lines of government intervention impacting the housing market, we also saw that President Biden and my colleagues on the other side pumped trillions of dollars into the economy these past few years. Of course, that led to inflationary pressure, and it continues to impact and is the reason why we're here right now. Given this high-interest-rate environment, would you say that—or I am going to ask what market-based recommendations do you have to bring down the cost of housing?

Mr. MICHEL. Again, I think this is largely a crowding-out sort of problem, so I have several recommendations alluded to in my testimony that would start down that path. But you have roughly 90 percent or more of the mortgage-backed securities market dominated by the Federal Government. That is one way. You have to start paring that back. The excessive-use provision is one thing that could be defined and enforced. Reducing FHA insurance to match VA insurance would be another.

Ms. DE LA CRUZ. Thank you.

Chairman DAVIDSON. I thank the gentlelady.

The gentleman from California, Mr. Vargas, is recognized for 5 minutes.

Mr. VARGAS. Thank you very much, Mr. Chairman.

First of all, I would like to thank you and the ranking member for the courtesy of allowing me to sit in on this subcommittee. I waived on for the day.

Chairman DAVIDSON. Thanks for the interest.

Mr. VARGAS. Thank you.

And I would like to also associate myself with what our ranking member said about Chairman McHenry. I think he is a very honorable, very fair person, as I think you are, too. And again, I appreciate the opportunity.

According to the October 2023 Consumer Price Index, housing costs remain the key driver of inflation in our country. Since 2020, home prices have skyrocketed by 47 percent. As of 2023, the average renter is now rent-burdened, paying significantly over 30 percent of their income on rent, as we have heard here today. All of our constituents are feeling this.

And I have to say that we all have our personal stories. The situation with me was that my mom and dad worked themselves to the bone to make sure that they had a house. And that little house financed nine undergraduate degrees, numerous advanced degrees, and scores of law books, engineering books, finance books, and social services books. And ultimately, it really was the ability to take money out of that house and really the generosity of my parents that enabled all of my brothers and sisters and I to get a decent education. I went to Harvard, so it is not real grit, but it is okay.

But, again, it was that house that gave that opportunity. It really was. And they worked hard for that. So, I was a little intrigued with the provocative statements that you were making, Mr. Michel, saying that Federal policy should not encourage homeownership. I don't want to put words in your mouth, but I believe that is what you said. Would others agree to that? It seems to me that that is somewhat wrong-headed. I see someone is anxious to go—would you like to comment? I saw you going towards the microphone.

Mr. APPLETON. Sure. Look, I think that the Federal Reserve survey of consumer finances has found that the average net worth of a homeowner is 40 times the average net worth of a renter. I think that we need to make sure we have consistent, coordinated, and clear housing finance policy to make sure that private capital is not crowded out of the market unnecessarily by government programs. But I think that homeownership, when done sustainably and responsibly, is an excellent mechanism for wealth-building.

Mr. VARGAS. I don't agree with everything you said, but I agree with a lot of what you have said. I do think that the government should be involved for those who can't afford it. The down payment is really what kills a lot of people. They can't afford it. And I am not against private mortgage insurance. I used it when I bought my first home.

As for manufactured housing, people are going to favor it. I am not against it. But I do think the Federal Government has to be involved because there are some people who make very little

money. And by the way, for a lot of people, they won't be able to own a home because they don't make much money, and that is why I think the Federal Government has a responsibility. And having all of these people on the streets, whether it is .001 percent or whatever it is, there seems to be a huge amount of people on the street, living in a way that is disgraceful. It is awful.

I travel significantly around the world and you don't even see this in developing countries. It really is awful and we have to do something about it. But I do think that the restrictive laws that we have on zoning are problematic, but I also understand a lot of people don't want to change the character of their neighborhood. I think that is why we have to encourage homeownership, but also in a way that the neighborhood will accept, and that means you have to tell people that stacking homes is okay, and making the lot smaller is okay. All of these things are important.

And then, subsidizing—for those who need subsidies, we should do that. Who can disagree? I know, Mr. Michel, you disagree with that. And I should actually give you some time to react to that. Go ahead, sir. I don't have much time.

Mr. MICHEL. Sure. Renting is often economical. I have rented all my adult life; I still do. I advised the colleague sitting behind me that she should rent and not buy a house, but I don't think she is going to listen to me.

Mr. VARGAS. Reclaiming my time, I think that is a bad idea.

In 1976, I bought my first home. And in 1993, I paid \$176,000. I just put it in the U.S. inflation calculator, and that home, if it followed inflation today, would be \$373,000. A home just down the street from mine, exactly the same size, sold for \$1.85 million. So, I would say that was a very good investment.

Mr. MICHEL. Yes. But that is not an affordable home at that point.

Mr. VARGAS. That is right. It is not an affordable home, but it is a house that certainly benefited me and my family, as the house that my parents bought didn't increase significantly like this one did. That is why I think to argue against homeownership, the American Dream, is provocative to say the least, but—

Mr. MICHEL. That is the equivalent of saying that we should encourage high-leverage investment.

Mr. VARGAS. No, no.

Mr. MICHEL. It is.

Mr. VARGAS. But we should encourage homeownership. It is the American Dream to come home to a house that you own.

Mr. MICHEL. That is the way we have been doing it.

Mr. VARGAS. My time is up. But again, I thank you for the courtesy, sir.

Chairman DAVIDSON. I thank the gentleman.

And the gentleman from Tennessee, Mr. Rose, is now recognized for 5 minutes.

Mr. ROSE. Thank you, Chairman Davidson, and Ranking Member Cleaver, for holding this hearing. And thank you to our witnesses for being here. I would also like to thank this subcommittee for the opportunity to waive on to today's hearing.

The growing scarcity of affordable housing in this country for both homeowners and renters is a serious crisis. Helping to allevi-

ate this crisis will require, as our hearing title suggests, knocking down government barriers that are standing in the way of helping to supply more affordable housing. One such government barrier—and Ms. Hamilton has already made reference to this—to more affordable housing is HUD’s outdated requirement that manufactured housing be built on a permanent chassis. A permanent chassis allows manufactured housing to be more easily transported. This is helpful if a manufactured home will be moved multiple times during its lifetime.

However, as I think most people are aware, many manufactured homes are now built with the intention of being permanently placed in one location, and thus do not need to be built with a permanent chassis. Eliminating the permanent chassis requirement for manufactured housing from the Federal construction code, administered by HUD, will help to potentially save thousands of dollars on new manufactured homes made without a permanent chassis.

I am proud to have introduced a bipartisan bill, H.R. 5198, the Expansion of Attainable Homeownership Through Manufactured Housing Act of 2023, along with my colleague, Congressman Correa of California, that will eliminate this outdated requirement. I thank the subcommittee for attaching the bill to today’s hearing, and I look forward to working with my colleagues to advance this important piece of legislation.

Ms. Hamilton, I know you have already spoken about this today to some extent, but the latest figures show America is short 3.9 million homes. This shortage is especially severe among starter homes for first-time homebuyers. Meanwhile, a manufactured home could be built for 20 to 50 percent less than an equivalent site-built home. Can you expand on how the current statutorily-required permanent steel chassis for every HUD code manufactured home prevents broader adoption of this cost-efficient building choice?

Ms. HAMILTON. Thank you, Congressman.

Yes, manufactured housing is the most cost-effective way to deliver a new unit of housing in the U.S. today. And that is, in large part, due to the HUD code’s focus on affordability over other types of policy priorities. The permanent steel chassis requirement, as you said, is intended for manufactured housing that will be moved from site to site, when that is often not the case, particularly in rural communities where manufactured housing is a very important source of relatively low-cost housing.

Eliminating the steel chassis requirement could also open up new opportunities for manufactured housing to serve as accessory dwelling units. We are seeing many States and localities pursuing accessory dwelling unit reform as a relatively low-cost way to provide new housing. And eliminating that requirement means that different types and different sizes of units can be produced under the HUD code, creating a policy that can work hand in hand with State and local accessory dwelling unit reform.

Mr. ROSE. Thank you. I appreciate that.

As I see time winding down, I think anyone who has had the opportunity to tour or be present at one of the manufacturing facilities where manufactured housing is produced will understand what I am trying to get at here. And that is, we all know there is a

shortage today of skilled tradesmen in our country necessary for building a home. My wife and I are renovating a home on our farm that we hope to move into; it is supposed to be ready in August. I apparently forgot to tell the builder which year we wanted to be in, in August. But there is a shortage of trades. So, I am wondering if you might just expand in the few seconds we have left here on how the adoption of manufactured and modular homes helps to fix this problem in rural America.

Ms. HAMILTON. Thank you. That is right. Manufactured housing allows a unit of housing to be built in a different location than where it will be sited. And opening up opportunities for housing in California, for example, to be built in a lower-cost place is a very positive outcome.

Mr. ROSE. Thank you. And I yield back, Mr. Chairman.

Chairman DAVIDSON. I thank the gentleman.

I would like to thank our witnesses for their testimony today. We greatly appreciate it and it was very helpful.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

I ask our witnesses to please respond as promptly as you are able.

And this hearing is now adjourned.

[Whereupon, at 12:17 p.m., the hearing was adjourned.]

A P P E N D I X

December 6, 2023



Statement of Seth D. Appleton
President of U.S. Mortgage Insurers
Before

The United States House of Representatives Committee on Financial Services
Subcommittee on Housing and Insurance
December 6, 2023

“Housing Affordability: Governmental Barriers and Market-Based Solutions”

Chairman Davidson, Ranking Member Cleaver, Members of this distinguished Subcommittee, thank you for inviting me to testify for this hearing on behalf of U.S. Mortgage Insurers (USMI). As a longtime staffer for a former Chairman of this Subcommittee, Mr. Luetkemeyer, it is a privilege to be invited to discuss how the private sector can support access to affordable homeownership. USMI’s members do just that: they are in the market every day, deploying private capital to provide access to affordable and sustainable mortgage credit, primarily to first time and low- and moderate-income homebuyers, while simultaneously protecting taxpayers from undue credit risk.

Today, my testimony will focus on the following topics:

- The role of private mortgage insurance (MI) in enabling access to homeownership for borrowers without tens of thousands or even hundreds of thousands of dollars in cash for a large down payment, while protecting lenders, the government-sponsored enterprises (GSEs), and taxpayers;
- The borrowers we serve who are primarily first-time home low— and moderate-income homebuyers who lack wealth for a large down payment, but benefit from sustainable homeownership and the opportunity to create intergenerational wealth;
- The strength and resiliency of today’s private MI sector and how it contributes significantly to the overall stability of the housing finance system; and
- Steps that policymakers could take to ensure that prospective homebuyers can continue to realize the American Dream of homeownership, including:
 - Promoting coordinated housing finance policies to ensure that private capital is not unnecessarily or inappropriately crowded out of the marketplace by government-backed programs;



- Ensuring faithful implementation of the Prior Approval of Enterprise Products Rule¹ to protect taxpayers from unnecessary risk in connection with GSE pilot programs;
- Reconsidering the mortgage risk weight framework in the proposed Basel III Endgame rulemaking²; and
- While outside the jurisdiction of this Committee, restoring and making permanent the individual income tax deduction for MI premiums.

The Role of Private Mortgage Insurance

Private mortgage insurance (MI) has been an important component of the U.S. housing finance system for 66 years; first, as a means to help millions of home-ready borrowers access affordable mortgage financing with low down payments; and second, as the first layer of protection for lenders, the GSEs, and taxpayers from undue mortgage credit risk.

Facilitating Borrower Access to Affordable and Sustainable Homeownership

The role of private MI is more important today than ever before. While USMI's members cannot solve for the scarcity of affordable housing supply or the high interest rates that have impacted affordability, they can solve for what has historically been the primary impediment for first-time and low- and moderate-income borrowers seeking to enter homeownership: the need for a large cash down payment.

Homeownership that requires a 20% down payment is simply out of reach for many Americans, particularly the first-time homebuyers who have traditionally propelled the market forward. According to a recent report from the National Association of REALTORS® covering July 2022 to June 2023, the first-time buyer share of the market was 32%, well below the average of 38% since 1981, and their typical down payment was 8%.³ Even more striking is that it would take a household earning the national median income of \$70,784 in 2022 35 years to save a 20% down payment plus closing costs for a \$392,800 home, the median sales price for a single-family home in 2022.⁴ That's \$90,334 in cash that a borrower would need to bring to the closing table.

With private MI, however, potential homebuyers can put down as little as 3%, eliminating one of the largest hurdles to homeownership today. Furthermore, research from Fannie Mae finds that private MI is a small component of the overall cost of buying and owning a home.⁵ A

¹ 12 C.F.R. 1253.

² 88 Federal Register 64028 (September 18, 2023).

³ National Association of REALTORS®, "2023 Profile of Home Buyers & Sellers" (November 13, 2023).

⁴ USMI analysis based on the following data points: median household income according to data from the U.S. Census Bureau; median sales prices for a single-family home in 2022 according to National Association of REALTORS®; and median savings rate in 2022 according to data from the Federal Reserve.

⁵ Fannie Mae, Economic and Strategic Research Group, "Mortgage costs as a share of housing costs – placing the cost of credit in broader context" (released March 9, 2022 and updated March 17, 2023).



recent Urban Institute report found that a conventional mortgage backed by private MI has been the most common source of financing for low down payment borrowers since 2018.⁶ In 2022, that translated to private MI helping more than 1 million borrowers secure mortgage financing, representing \$402 billion in mortgage originations, more than 97% of which were for purchases.⁷ 62% of purchasers with private MI in 2022 were first-time homebuyers and more than 34% had annual incomes below \$75,000⁸. In the Chairman's home state of Ohio, private MI helped more than 40,000 borrowers in 2022, 62% of whom were first-time buyers, with an average loan amount of \$232,278.⁹

Further, private mortgage insurers are critical partners to the GSEs, mortgage lenders, and state housing finance agencies (HFA) on initiatives and product development to sustainably expand access to homeownership, especially for first-time and low- to moderate-income buyers, as well as borrowers who have been historically underserved by the broader housing market. The private MI industry is actively engaged in supporting the GSEs' flagship affordable products (Fannie Mae's HomeReady and Freddie Mac's Home Possible), Duty to Serve programs, HFA products, and partnering with lenders and the GSEs on mortgage products that target specific geographies and homebuyers. USMI's members are committed to helping homebuyers sustainably purchase homes and also ensuring that they can remain in their homes. All of USMI's members offer homebuyer education resources to increase consumer knowledge of the homebuying process and work closely with mortgage servicers to assist borrowers through loss mitigation solutions.

Critical Risk Protection to Promote a Safe and Sound Housing Finance System

Private MI is also unique in its scalability as a form of credit enhancement, availability to lenders of all sizes and types, with tailored product/plan options based on a borrower's specific financial situation. Whether a large money center bank, community bank, credit union, independent mortgage bank, or other type of institution, private MI is available to help lenders serve customers without large down payments on a capital efficient basis. Today, more than \$1.5 trillion in mortgages are backed by private MI.¹⁰ There is good reason for this – while private MI provides borrowers access to affordable mortgage credit, it simultaneously protects lenders, the GSEs, and taxpayers from undue credit risk by deploying private capital that stands in a first loss position and absorbs default-related losses before others in the system.

Private MI is one of the only forms of credit risk transfer (CRT) that begins on day one when the borrower assumes a mortgage and persists regardless of execution, including acquisition by a GSE, private securitization, or portfolio status. One prominent example is the way that private

⁶ Urban Institute, "Mortgage Insurance Data at a Glance – 2023" (August 21, 2023).

⁷ GSE Aggregate Data and Private MI 10-K Filings.

⁸ GSE Aggregate Data and HMDA Data.

⁹ GSE Aggregate Data.

¹⁰ Private MI Companies 3Q2023 10-Q Filings.



MI has helped de-risk the GSEs: since the GSEs entered conservatorship in 2008, private mortgage insurers have paid nearly \$60 billion in claims.¹¹ Every claim dollar paid by a private mortgage insurer is a credit loss that neither Fannie Mae, Freddie Mac, nor, ultimately, the taxpayers who stand behind them need to pay. Analysis from the Urban Institute¹² found that, “the presence of [private MI] reduces the losses the GSEs experience on loans with loan-to-value (LTV) ratios above 80 percent to the same levels as the losses they experience on a loan with LTV ratios up to 80 percent. This indicates that [private MI] is highly effective in reducing losses to the GSEs.” Furthermore, the same report noted that once loans were more than 180 days delinquent and were liquidated, “the loss severity the GSEs experience is lower for loans with [private MI] than for those without, because mortgage insurance recoveries reduce losses.” The report also examined the 1994-2022 origination period and found that “the loss severity of GSE loans without [private MI] was 37.6 percent, higher than the 26.4 percent severity for loans with [private MI].” Urban goes on to say “...the reduced loss severity for the GSEs attributable to [private MI] holds across all origination years.” To that end, if Congress takes up GSE reform, maintaining the Congressional charter provision related to private MI and establishing standard coverage as a requirement of a reformed housing finance system would be an important step to ensuring that private capital can continue to promote safety and soundness in the system.

Strength and Resiliency of the Private MI Sector

Private MI stands as a strong, resilient, and reliable component of America’s low down payment mortgage market, attracting and deploying private capital to support the housing finance system in all economic cycles. After assessing past operational practices and the causes and implications of the Great Financial Crisis, the private MI industry took steps to enhance its business model to better serve the marketplace. Today, private MIs are subject to robust capital, financial, operational, and quality control standards. These standards, the Private Mortgage Insurer Eligibility Requirements (PMIERS), were developed and periodically updated jointly by the GSEs and overseen by the Federal Housing Finance Agency (FHFA). As of the third quarter of 2023, private mortgage insurers held 69% more available assets than required under PMIERS and the industry collectively holds \$11 billion in excess of the requirements.¹³ In addition, the private MI industry has consistently raised capital, and since the beginning of the COVID-19 pandemic, USMI members raised more than \$2.8 billion using equity and debt offerings and added \$715 million in access to new or expanded credit facilities.¹⁴

In addition to holding 169% of required available assets, private MIs have adopted other enhancements to provide stability to the housing market. These include a new Master Policy to ensure timely, consistent, and accurate policy and claim administration and that private MI results in reliable and predictable claim payments to lenders and the GSEs in the event of borrower default. The industry has also adopted Recission Relief Principles that align with the

¹¹ Private MI Statutory Filings.

¹² Urban Institute, “Mortgage Insurance Data at a Glance – 2023” (August 21, 2023).

¹³ Private MI Companies 3Q2023 10-Q Filings.

¹⁴ USMI Member Company SEC Filings and Press Releases.



GSEs' Representations and Warranties framework to provide lenders with certainty and clarity of MI coverage on day one, which has been well-received by lenders.

In order to participate in the market through all economic cycles, USMI member companies must be - and are - sophisticated managers of long-term mortgage credit risk. USMI member companies have demonstrated a commitment to effective capital management through both traditional reinsurance transactions with highly rated counterparties and capital markets-based issuances, which have enabled USMI member companies to become some of the strongest and most stable counterparties to the GSEs and investors and to play a greater role to support the U.S. housing finance system.

MI-CRT structures have been utilized in the housing market since 2015, transforming the MI business model from "Buy-and-Hold" credit risk into "Aggregate-Manage-Distribute." MI-CRT demonstrates that USMI member companies are sophisticated experts in pricing and actively managing mortgage credit risk, which further cements the stability private MI provides in the mortgage finance system.

Since 2015, private MI companies have transferred nearly \$73.8 billion in risk on more than \$3.4 trillion of insurance-in-force (IIF). In the reinsurance markets, private MIs have executed 53 deals using Quota Share Reinsurance (QSR) and Excess of Loss (XOL) transactions, ceding \$51.5 billion of risk to the traditional reinsurance market.¹⁵ As for using the capital markets to distribute risk, since the industry introduced Mortgage Insurance-Linked Notes (MILNs) in 2015, private MIs have issued 56 MILN transactions, transferring nearly \$22.3 billion of risk on more than \$2.3 trillion of notional mortgages.¹⁶ Transferring credit risk to reinsurers and capital markets investors is not only an effective hedge to cyclical mortgage exposure, but also efficiently expands the capital sources of the MI industry to serve the growing demand for low down payment financing.

I also want to take this opportunity on behalf of our member companies to thank members of this Committee for their work¹⁷ to ensure that the Securities and Exchange Commission's (SEC) recently finalized rule¹⁸ concerning conflicts of interest in securitizations included a clarification to ensure that the capital markets-based reinsurance sourced by private MIs would not be unintentionally impaired by that rulemaking. USMI appreciates your engagement on this issue and we are pleased that the SEC was responsive to Congressional and stakeholder feedback in issuing a final rule that allows for the continued use of MILNs to meet the need for affordable mortgage financing for low down payment borrowers without disruption.

¹⁵ MI Company CRT Transaction Data through September 30, 2023.

¹⁶ MI Company CRT Transactions Data through November 30, 2023.

¹⁷ Bipartisan House Financial Services Committee Letters from May 23, 2023 and October 31, 2023 are available at <https://www.sec.gov/comments/s7-01-23/s70123.htm>.

¹⁸ Securities and Exchange Commissioner, Press Release 2023-240, "SEC Adopts Rule to Prohibit Conflicts of Interest in Certain Securitizations" (November 27, 2023).



In addition to serving as stable, longer-term entity-based capital, private MIs underwrite and actively manage credit risk, ensuring quality control and a trusted “second pair of eyes” on risk within the financial system and for end investors. This expertise creates added value and stability for the rest of the housing finance system.

Proactive Federal Policies to Address Homeownership Affordability

As noted above, the private MI industry is a strong, resilient, and reliable component of America’s housing finance system and USMI’s members help enable homeownership for borrowers without large down payments while protecting lenders, the GSEs, taxpayers, and the mortgage finance system from credit risk. Policymakers, including the Congress, where appropriate, could take several steps to ensure that this critical source of private capital in the housing system can play an even more impactful role in the future.

Promote a Coordinated Housing Finance Policy

While conventional mortgages backed by private MI have been the most utilized option for low down payment borrowers since 2018, several U.S. government agencies directly insure or guarantee low down payment mortgage loans, most notably the Federal Housing Administration (FHA), a component of the U.S. Department of Housing and Urban Development, which insures up to 96.5% of the LTV of a mortgage. USMI recognizes the targeted role of FHA and the presence and depth of its taxpayer-funded backstop. It is an important complement to private MI’s work particularly in serving those who may not have access to homeownership through the conventional market.

USMI encourages FHA to continue efforts to maintain and strengthen the fiscal health of the Mutual Mortgage Insurance Fund in order to promote a healthy housing market and responsibly facilitate access to homeownership opportunities. As a government agency fully backed by taxpayers, FHA’s cost of capital and required capital levels are significantly different than those of the private sector. As a result, it is important for policymakers to promote a clear, consistent, and coordinated approach to housing finance policy, including when reviewing and implementing changes to GSE and FHA pricing. A goal of this clear, consistent, and coordinated policy should be to prevent undue competition between government programs and the private sector. When private capital is needlessly crowded out of the marketplace by government-backed programs, it leads to increased risks for taxpayers.

Ensure the GSEs Comply with FHFA’s Prior Approval of Enterprise Products Rule

In the conventional market, GSE pilot programs can also shift risks to taxpayers that would otherwise be borne by private capital. During their 15 years in conservatorship, the GSEs have significantly expanded their role in the housing finance system by developing and introducing numerous new products and activities, including via “pilots,” without meaningful transparency into their economics, risks, or consumer impacts. While innovation can certainly play a role in better serving homebuyers, it is critical that new GSE pilots, products, and activities are subject to a transparent assessment that provides stakeholders with the opportunity to comment on the potential impacts to both consumers and non-GSE market participants.



USMI was pleased that FHFA proposed under Director Calabria and finalized under Director Thompson a rule on “Prior Approval of Enterprise Products,” a rule in which members of this Committee took interest. While it has only been operational since this spring, we believe faithful implementation of this rule will result in proper oversight of GSE pilots, a more transparent and objective process for approving new GSE products and activities, and a more robust housing finance system through its consideration of the impacts new GSE products may have on GSE and non-GSE market participants.

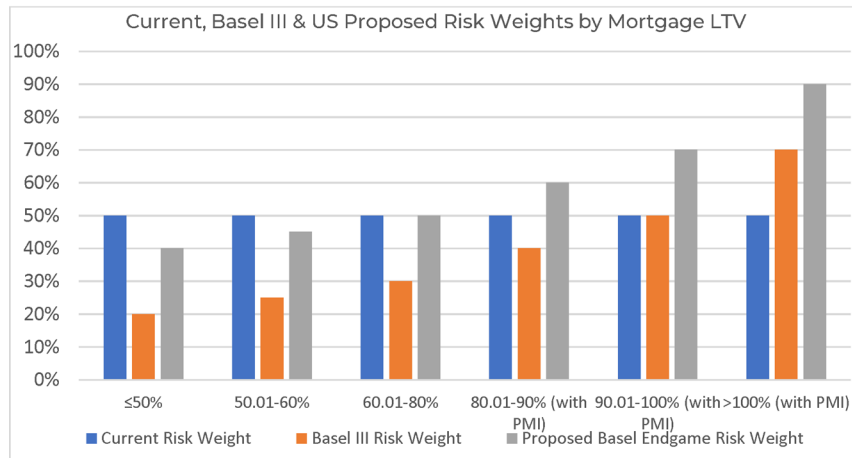
Reconsider the Proposed Basel III Endgame Rulemaking

One area of concern is the recently proposed Basel III Endgame regulation,¹⁹ in which members of this subcommittee have taken a keen interest. While appropriate capital levels are important for the safe and sound operation of our banking sector, *excessive* capital requirements have a detrimental effect on our economy and consumers’ access to financial products such as mortgages. In this instance, excessive capital requirements will reduce the availability of credit, especially for low- and moderate-income households and first-time homebuyers. Consumer groups, mortgage market participants, and members of this Committee have observed that the proposal would negatively impact the ability of certain banks to originate and hold high LTV mortgages in portfolio, service mortgages, and even finance warehouse lines for lenders, including independent mortgage banks. All of these are important issues for the Committee and policymakers to explore, though I will focus my comments on the impact on the low down payment market.

U.S. financial regulators last updated bank capital requirements²⁰ prior to the private MI industry’s adoption of many of the enhancements mentioned earlier in my statement. Under the “standardized approach,” a prudently underwritten mortgage loan held by a bank with a LTV ratio that equals or exceeds 90% is given a risk-weight of 50% if the loan is protected by private MI and the effective LTV after considering the MI coverage is under 90%. In contrast, the Basel III Endgame NPR does not recognize private MI at all and would assign a 70% risk weight to a mortgage above 90% LTV for a bank subject to the proposal, regardless of the risk and capital benefits of private MI coverage.

¹⁹ Office of the Comptroller of the Currency, Federal Reserve System, and Federal Deposit Insurance Corporation, “Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity,” 88 Federal Register 64028 (September 18, 2023).

²⁰ Office of the Comptroller of the Currency, Federal Reserve System, and Federal Deposit Insurance Corporation, “Regulatory Capital Rules: regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-Weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule” 78 Federal Register 62018 (October 11, 2013).



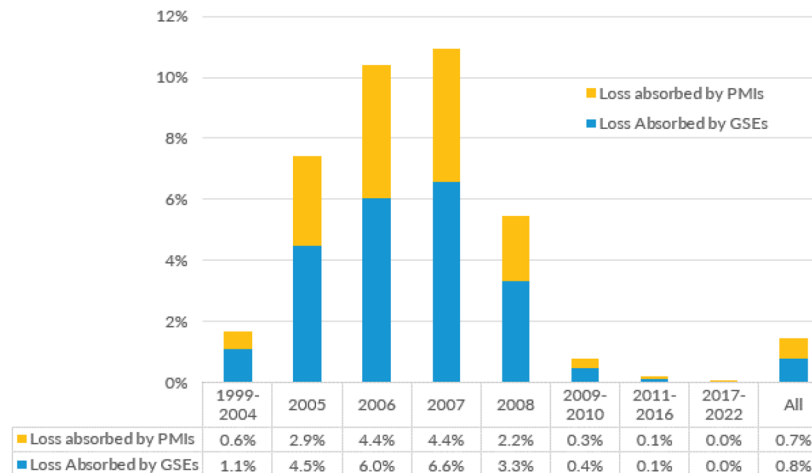
In addition to disregarding the enhanced capital and operational standards adopted by the industry since the last bank capital regulatory update, the Basel III Endgame proposal also diverges from the FHFA's own Enterprise Regulatory Capital Framework (ERCF), which recognizes the value of and provides capital relief to the GSEs for loans that are covered by private MI. FHFA's approach rightly recognizes that private MI stands in the first loss position and will absorb credit losses before others in the system, including lenders, the GSEs, and taxpayers. Private MI standard coverage insures up to 35% of the value of a loan (plus allowable interest and expenses) and increases based on the borrower's LTV ratio to ensure that the risk exposure is remote. This coverage reduces the effective LTV of a loan with private MI to well below 80%.

OLTV	Portion of Losses Covered by PMI (standard cover)	Private MI Net Impact on LTV	Effective LTV
90%	25.0%	-22.5%	67.5%
95%	30.0%	-28.5%	66.5%
97%	35.0%	-34.0%	63.1%

Further, the risk mitigating benefits of private MI are present throughout the economic cycle as the presence of private MI has been shown to reduce GSE losses on loans with LTV ratios above 80% to the same levels as the losses on loans with LTV ratios up to 80%. GSE data from 1999



through 2022 in the graph below demonstrates that private MI is highly effective in reducing mortgage credit losses to the GSEs.²¹



The end result of the Basel III Endgame rulemaking would be fewer, yet more expensive options for borrowers without large down payments to be served by commercial banks and they may be confined to mortgage options that are entirely or partially backed by the government. Instead, U.S. bank capital rules should recognize the risk mitigating benefits of private MI and promote a level playing field between GSE, government program, and bank portfolio executions. The risk weights for mortgages held in portfolio should be appropriately calibrated to encourage banks to engage in low down payment lending, backed by private capital; promote innovation in portfolio lending; and ensure that first-time, low- and moderate-income, and minority homebuyers without large down payments have access to a variety of options to obtain sustainable mortgage credit.

Restore and Make Permanent the Individual Income Tax Deduction for Mortgage Insurance Premiums

One other action Congress could take, though outside of this Committee's jurisdiction, is to restore and make permanent the individual income tax deduction for MI premiums that was available for tax years 2007-2021. This deduction allowed eligible low- and moderate-income homeowners to deduct from their federal income taxes the MI premiums paid to private MI companies and government agencies, including FHA, the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture (USDA), and HUD's Office of Public and Indian Housing

²¹ Urban Institute analysis of Fannie Mae data (loans originated 1Q 1999- 4Q2022, performance data through 4Q 2022) and Freddie Mac data (loans originated 1Q 1999 through 3Q 2022, performance data through 4Q 2022).



(PIH). From 2007 to 2020, an average of 3.3 million low down payment homeowners annually claimed the deduction (for a total of approximately 43 million times the deduction was claimed) and they've received, on average, an annual deduction of \$1,427 in tax relief as a result.²² In 2020, the last year for which Internal Revenue Service (IRS) data is available, nearly 1.4 million low down payment households benefitted from this tax provision for an average deduction of \$2,133.²³ This tax deduction directly benefited qualifying low- and moderate-income homeowners and its restoration, permanency, and an increase in its adjusted gross income cap from its 2007 level would provide meaningful tax relief to millions of American homeowners. USMI thanks Congressmen Buchanan of Florida and Panetta of California for introducing legislation to do just that, H.R. 4212, the Middle Class Mortgage Insurance Premium Act of 2023, of which several members of this committee are co-sponsors. We also thank Senators Hassan of New Hampshire and Tillis of North Carolina for leading a companion measure in the Senate.

Conclusion

Chairman Davidson and Ranking Member Cleaver, thank you again for the opportunity to testify today on this important topic before the Subcommittee on Housing and Insurance. In conclusion, USMI encourages policymakers to pay close attention to the households served by the private MI industry and ensure that the housing finance system continues to recognize its role in promoting a housing market in which access to affordable and sustainable homeownership promotes safety and soundness through the deployment of private capital. This approach will ensure that first-time buyers can continue to reliably participate in the American Dream, while protecting lenders, the GSEs, and taxpayers from unnecessary credit risk. I would be pleased to answer your questions.

²² Internal Revenue Service, Statistics of Income (SOI), Historic Table 2.

²³ *Id.*



TESTIMONY

IMPROVING HOUSING AFFORDABILITY BY REDUCING BARRIERS TO HOUSING CONSTRUCTION

EMILY HAMILTON

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Subcommittee on Housing and Insurance of the US House Committee on Financial Services
Housing Affordability: Governmental Barriers and Market-Based Solutions

December 6, 2023

Thank you, Chair Davidson, Ranking Member Cleaver, and members of the subcommittee. I am Emily Hamilton, a senior research fellow at the Mercatus Center at George Mason University, where I am codirector of the Urbanity Project.

Local governments have imposed numerous limits on what kinds of housing can be built and where. Zoning rules—including bans on multifamily housing, restrictions on manufactured housing, and requirements for minimum lot size—limit how much housing the market can provide and drive up the price of housing that does get built.¹ These rules are contributing to deteriorating affordability, particularly for households that rent. While the share of households that rent has held quite steady since the 1960s, the share of income the median renter spends on housing has increased by more than 25 percent since then.² Private-sector homebuilders can play the primary role in addressing the growing affordability problem, but only with exclusionary zoning out of the way.

I'll provide three examples of places that have rolled back land-use regulations, making it feasible to build more housing at lower prices:

1. Minimum-lot-size reduction in Houston
2. Multifamily construction in the Washington, DC, region
3. Legalization of accessory dwelling units in California

¹ Robert Collinson et al., "Low-Income Housing Policy" (NBER Working Paper 21071, National Bureau of Economic Research, April 2015); Emily Hamilton, "Zoning Out American Families," *Discourse*, February 23, 2023, <https://www.discoursemagazine.com/p/zoning-out-american-families>.

² Here is just one example of how local requirements drive up housing costs: Localities commonly require each new housing unit to be paired with two or more parking spaces. In places where land is expensive, this parking is often provided in garages, either above- or underground, where each parking spot costs tens of thousands to build. In Las Vegas, providing required parking can make up half the cost of building an apartment building, a cost that is passed on to renters, whether they would choose to have one car instead of two, or no car, to save money on parking. See Henry Grabar, *Paved Paradise: How Parking Explains the World*, (New York: Penguin, 2023), 222.

REDUCING MINIMUM-LOT-SIZE REQUIREMENTS IN HOUSTON

In 1998, Houston policymakers reduced minimum-lot-size requirements from 5,000 to 1,400 square feet within the city's Inner Loop. Houston's reform set off a boom in small-lot single-family construction. Based on success within the Inner Loop, in 2013 policymakers expanded the reform to cover the entire city. Nearly 80,000 houses have been built on lots smaller than 5,000 square feet since these reforms were implemented.³

Among 10 comparable Sunbelt Metropolitan Statistical Areas, Houston has the lowest ratio of median house price to median income. In fact, the median house price in Houston is now lower than the national median, despite decades of higher population growth and economic growth in Houston than in the country as a whole.

ALLOWING TRANSIT-ORIENTED DEVELOPMENT IN THE WASHINGTON, DC, REGION

The DC region has plenty of opportunities to reduce barriers to new-housing construction; however, relative to most other high-income coastal regions, this region excels at permitting multifamily construction, particularly along its transit corridors.⁴ Beginning in the 1960s, officials in Arlington County, VA, began planning for multifamily construction in areas originally developed with low-rise commercial buildings. That set off a 60-year boom in apartment construction, which has allowed the county's population to grow by 37%.

In part because of Arlington's experience, Montgomery County, MD, and Fairfax County, VA, have also embraced transit-oriented development in more limited areas. DC has followed suit, allowing new neighborhoods to be built in formerly industrial areas including NoMA and the Navy Yard.

Among the country's "Superstar Cities"⁵—Boston, Los Angeles, New York, San Francisco, Seattle, and Washington—Washington has the lowest median house price. This is in part because it permits multifamily housing at double or more the permit rates in Boston, Los Angeles, New York, and San Francisco.

LEGALIZING ACCESSORY DWELLING UNITS IN CALIFORNIA

Given the growing housing-supply and affordability problems Americans are facing, state policymakers are beginning to set limits on localities' authority to curb housing construction. California, where these challenges are the most dire, has led the way. The state has been particularly successful in legalizing accessory dwelling units (ADUs), which are typically small apartments located in single-family houses.

Legislators in California first began efforts to legalize accessory-dwelling-unit construction in 1982, and in 2016 they got serious about addressing the remaining regulatory barriers that had been hindering homeowners from building ADUs.⁶ In some parts of the state, most notably Los Angeles, ADU

³ Emily Hamilton, "Learning from Houston's Townhouse Reforms," (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, April 2023).

⁴ Emily Hamilton, "How DC Densified," *Works in Progress*, May 2023.

⁵ Aaron Renn, "Scaling Up: How Superstar Cities Can Grow to New Heights," Manhattan Institute, January 23, 2020.

⁶ Emily Hamilton and Abigail Houseal, "A Taxonomy of State Accessory Dwelling Unit Laws" (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, March 2023).

construction drastically accelerated beginning in 2017. Today, one in four residential units in the city of Los Angeles is an ADU.

CONCLUSION

Local zoning regulations are a key contributor to US housing-affordability challenges. These regulations limit housing construction, particularly relatively low-cost housing construction. Examples from across the country show that where policymakers have successfully rolled back these regulations, housing construction has increased. Places that are more open to housing construction see improved affordability compared to their peers with higher barriers to new housing. The private market can improve access to housing and reduce house prices when and where it is allowed to.



Testimony

Before the United States House of Representatives Subcommittee on Housing and Insurance of the Committee on Financial Services, Hearing on “Housing Affordability: Governmental Barriers and Market-Based Solutions”

Norbert J. Michel

Vice President and Director

Center for Monetary and Financial Alternatives, Cato Institute

December 2, 2023

Introduction

Chairman Davidson, Ranking Member Cleaver, and Members of the Committee, thank you for the opportunity to testify at today’s hearing. My name is Norbert Michel and I am Vice President and Director for the Center for Monetary and Financial Alternatives at The Cato Institute. The views I express in this testimony are my own and should not be construed as representing any official position of The Cato Institute.

It is always convenient to blame “Wall Street,” interest rates, or “speculators” for economic difficulties, including impediments to housing affordability. These terms obscure the human component that drives specific economic outcomes, thus making it easy to deflect blame away from individual policies. The tactic is very effective. In the last few years, for instance, stories have stoked fears that large institutional investors caused rapid price increases in single family housing markets.¹

Yet, research demonstrates that institutional investors play a very small role in the single family housing market – both in absolute terms and relative to large multifamily housing companies and other single family home investors.² A Philadelphia Federal Reserve Bank paper, for example, shows that from 2006 to 2014, the share of large institutional buyers of mortgages increased “from virtually zero to 1.47 percent” and the share of small institutional buyers

¹ Ryan DeZemmer, “If You Sell a House These Days, the Buyer Might Be a Pension Fund,” *The Wall Street Journal*, April 4, 2021, <https://www.wsj.com/articles/if-you-sell-a-house-these-days-the-buyer-might-be-a-pension-fund-11617544801>; Staff, “Institutional Investors, Higher Material Costs Lead To Rising Home Prices,” *The Real Deal Real Estate News*, April 13, 2021, <https://therealdeal.com/national/2021/04/13/institutional-investors-higher-material-costs-lead-to-rising-home-prices/>; and, Staff, “Investors, Speculators Plow Into US Housing Market: Report,” *The Real Deal Real Estate News*, June 21, 2019, <https://therealdeal.com/national/2019/06/21/investors-speculators-plow-into-us-housing-market-report/>

² For a list of the largest multifamily companies, see “The Top 15 Multifamily Property Managers of 2021,” *Multifamily.loans*, January 22, 2021, <https://www.multifamily.loans/apartment-finance-blog/the-top-15-multifamily-property-managers-of-2021>.

increased “by 4.04 percentage points.”³ The authors claim that “despite the rise that began after 2010, in 2014 their shares remained small: The average share of large institutions as buyers was 1.47 percent.”⁴

Additional research by the Federal Reserve indicates that institutional investors comprised “1 to 2 percent of all single-family purchases from 2012 to 2014,” while “purchases by other investors accounted for 18 to 19 percent of single-family home purchases during the same period,” and that “buy-to-rent investors owned about 0.14 percent of the housing stock in 2014, whereas corporate investors owned 6 percent and individual investors owned 6 percent.”⁵ Although more recently interest in this specific topic seems to have subsided among economics researchers, these figures are consistent with some newer reports, and the total share for large investors appears to have remained small through at least 2021. For instance, as reported by the United States Department of Housing and Urban Development in 2023, data show that “institutional investors purchased 3 percent of homes sold in 2021, three times their typical share in prior years.”⁶

Despite the small share, the evidence also suggests that “institutional investors contribute to the improvement of the local housing market by reducing vacancy rates as they shorten the amount of time distressed properties stay in REO [real estate owned foreclosure],” and that “institutional investors help lower local unemployment rates by increasing local construction employment.”⁷ Citing other research, the Urban Institute’s Laurie Goodman argues that institutional investors “grew up in 2010-2013 buying distressed properties that no one else would buy and in fact put a floor on the market, so they provided a very, very valuable service and they basically cleaned up the distressed market, a lot of which required repairs.”⁸

³ Lauren Lambie-Hanson, Wenli Li, and Michael Slonkosky, “Institutional Investors and the U.S. Housing Recovery,” *Federal Reserve Bank of Philadelphia*, WP 19-45, November 2019, p. 17, <https://www.philadelphiafed.org/-/media/frbp/assets/working-papers/2019/wp19-45.pdf>.

⁴ Lambie-Hanson, et al., pp. 10-11.

⁵ James Mills, Raven S. Molloy, and Rebecca E. Zarutskie, “Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market: The Emergence of a New Asset Class?,” *Federal Reserve Board*, Working Paper 2015-084, p. 2, <https://www.federalreserve.gov/econresdata/feds/2015/files/2015084pap.pdf>.

⁶ “Institutional Investors Outbid Individual Homebuyers,” Office of Policy Development and Research, United States Department of Housing and Urban Development, Winter 2023, <https://www.huduser.gov/portal/periodicals/em/winter23/highlight1.html>. The article refers to CoreLogic data, as reported in Tim Henderson, “Investors Bought a Quarter of Homes Sold Last Year, Driving Up Rents,” *Stateline*, July 22, 2022, <https://stateline.org/2022/07/22/investors-bought-a-quarter-of-homes-sold-last-year-driving-up-rents/>.

⁷ Lambie-Hanson, et al., p. 1. Separately, an Urban Institute report quotes Lambie-Hanson saying that “there really isn’t any evidence in our research that institutional investors led to higher rents or greater eviction rates for our sample of counties tracked through the recovery.” See Caitlin Young, “Institutional Investors Brought Higher Home Prices and Lower Vacancies to the Housing Recovery,” *Urban Wire*, March 5, 2020, <https://www.urban.org/urban-wire/institutional-investors-brought-higher-home-prices-and-lower-vacancies-housing-recovery>.

⁸ Jerusalem Demsas, “Wall Street Isn’t To Blame For The Chaotic Housing Market,” *Vox*, June 11, 2021, <https://www.vox.com/22524829/wall-street-housing-market-blackrock-bubble>. Also see Laurie Goodman and Edward Golding, “Institutional Investors Have a Comparative Advantage in Purchasing Homes That Need Repair,”

Goodman also cites evidence that “institutional operators owned just 300,000 single-family units in 2019,” approximately 2 percent of the roughly 15 million one-unit detached single-family *rental* homes in the United States, and less than 0.5 percent of the total number (80 million) of detached single-family homes in the United States.⁹ Separately, research by the National Rental Home Council (NRHC) estimates that 0.74 percent of single-family home purchases in the second quarter of 2021 were made by “large investors.”¹⁰ Put differently, the NRHC estimates that 99.26 percent of single-family homes purchased in the second quarter of 2021 “were made by someone, or some entity, other than a large investor.”¹¹

In contrast, the federal government is heavily involved in the single-family home market, particularly in ways that increase demand by making it easier to obtain home mortgages. Given that housing markets are consistently supply constrained, there is little doubt that federal housing finance policies contribute greatly to higher home prices.¹² Unfortunately, there appears to be no appetite in Congress to move away from these types of failed housing policies. Collectively, these policies will further expand government intervention in housing markets at a great cost to millions of Americans, pushing up prices as well as rental rates, wasting taxpayers’ money and making housing less affordable.

The U.S. Government is Heavily Involved in Housing Markets

Federal intervention has increasingly become the norm in housing markets since the 1930s, and the perceived success of these policies has helped perpetuate and expand that involvement. The United States is the only major country in the world with a federal government mortgage insurer, government guarantees of mortgage securities, *and* government-sponsored enterprises (GSEs) in housing finance. As of 2010, comparing the United States with 11 other industrialized countries, only two have a government mortgage insurer

Urban Wire, October 20, 2021, <https://www.urban.org/urban-wire/institutional-investors-have-comparative-advantage-purchasing-homes-need-repair>.

⁹ Demsas, “Wall Street Isn’t To Blame For The Chaotic Housing Market.”

¹⁰ National Rental Home Council, “NRHC Analysis of Data Shows Just 0.74% of Home Purchases in Second Quarter of 2021 Made by Large Investors,” October 15, 2021, <https://www.rentalhomecouncil.org/wp-content/uploads/2021/10/Investor-purchases-Blog-Oct-2021.pdf>.

¹¹ National Rental Home Council, “NRHC Analysis of Data.” Though causal studies with quantitative estimates are not plentiful, one study estimates that “A 10% increase in the percentage of houses purchased by investors in a census block leads to a 0.20% increase in house prices.” Marcus T. Allen, Jessica Rutherford, Ronald Rutherford, and Abdullah Yavas, “Impact of Investors in Distressed Housing Markets,” *The Journal of Real Estate Finance and Economics*, (2018), Vol. 56, pp. 622–652.

¹² For a discussion of how supply constraints affect housing affordability, see Raven Molloy, “The Effect of Housing Supply Regulation on Housing Affordability: a Review,” Federal Reserve Board, March 31, 2017, <https://www.aei.org/wp-content/uploads/2017/04/Overview-Talk-Panel-5.pdf>; and Raven Molloy, Charles G. Nathanson, and Andrew Paciorek, “Housing Supply and Affordability: Evidence from Rents, Housing Consumption and Household Location,” Finance and Economics Discussion Series 2020-044, Board of Governors of the Federal Reserve System, 2020, <https://www.federalreserve.gov/econres/feds/files/2020044pap.pdf>.

(Netherlands and Canada), two have government security guarantees (Canada and Japan), and two have GSEs (Japan and Korea).¹³ Denmark even maintains a prepayable fixed-rate 30-year mortgage without the need for GSEs or other government support, and at a lower cost to borrowers than in the United States.¹⁴

Most federal intervention in housing finance boosts demand, typically by making it easier to obtain a home mortgage. Federal policies encourage borrowing by supporting the operations of Fannie Mae, Freddie Mac, and Ginnie Mae, and by providing loan insurance through the Federal Housing Administration (FHA), the Veterans Affairs (VA) home-lending program, and the U.S. Department of Agriculture's Rural Development Program. Historically, the federal tax code has also promoted housing investment and consumption by allowing taxpayers to deduct mortgage interest and capital gains from the sale of a home from their federal income tax liability. Additionally, the Basel capital requirements have long provided financial institutions with capital relief for holding mortgage-backed-securities (MBS) rather than whole loans, while Fannie Mae and Freddie Mac have long enjoyed lower equity requirements than banks.¹⁵

Prior to the 2008 financial crisis the federal government controlled a dominant share of the U.S. housing finance system, and that share has expanded. As of December 31, 2020, Fannie and Freddie (both of which remain in government conservatorship) had combined total assets of \$6.6 trillion, representing approximately 42 percent of the nation's outstanding mortgage debt.¹⁶ From 2008 to 2019, the FHA's annual market share of purchase loans ranged

¹³ Michael Lea, "International Comparison of Mortgage Product Offerings," *Research Institute for Housing America Special Report*, September 2010, https://business.sdsu.edu/_resources/files/real-estate/research/10122_research_riha_lea_report.pdf.

¹⁴ Jesper Berg, Morten Bækmand Nielsen, and James Vickery, "Peas in a Pod? Comparing the U.S. and Danish Mortgage Finance Systems," Federal Reserve Bank of New York, *Economic Policy Review*, Vol. 24, no. 3, December 2018, https://www.newyorkfed.org/research/epr/2018/epr_2018_US-danish-mortgage-finance_berg; Frances Schwartzkopf, "World's Cheapest Mortgage May Be Around the Corner in Denmark," *Bloomberg*, March 21, 2019, <https://www.bloomberg.com/news/articles/2019-03-21/world-s-cheapest-mortgage-may-be-around-the-corner-in-denmark>; and, Frances Schwartzkopf, "20-Year Mortgages Hit Zero for First Time in Danish Rate History," *Bloomberg*, August 7, 2019, <https://www.bloomberg.com/news/articles/2019-08-07/nordea-offers-20-year-mortgages-at-zero-interest-as-rates-plunge>.

¹⁵ Norbert J. Michel and John Ligon, "Basel III Capital Standards Do Not Reduce the Too-Big-to-Fail Problem," Heritage Foundation Backgrounder no. 2905, April 23, 2014, http://thf_media.s3.amazonaws.com/2014/pdf/BG2905.pdf; and, Norbert J. Michel, "Strict Bank-Like Capital Rules Needed for Fannie Mae and Freddie Mac," Heritage Foundation Backgrounder no. 3474, March 9, 2020, <https://www.heritage.org/sites/default/files/2020-03/BG3474.pdf>.

¹⁶ For the fiscal year ending December 31, 2020, Fannie Mae reported \$4 trillion in total assets while Freddie Mac reported \$2.6 trillion. See Federal National Mortgage Association, "Annual Report," December 31, 2020, p. 61, <https://www.fanniemae.com/media/38271/display>. p. 61; and Federal Home Loan Mortgage Corporation, "Annual Report," December 31, 2020, p. 34, http://www.freddie.mac.com/investors/financials/pdf/10k_021121.pdf, p. 34. The 42 percent figures it is the author's estimate using the Federal Reserve's (now discontinued) 2019 reported total for mortgage debt outstanding (\$15.8 trillion). See Board of Governors of the Federal Reserve System, "Mortgage Debt Outstanding, All holders (DISCONTINUED) [(MDOAH)]," retrieved from FRED Economic Data, Federal Reserve Bank of St. Louis, October 15, 2021, <https://fred.stlouisfed.org/series/MDOAH>, October 15, 2021.

from 16.49 percent to 32.6 percent.¹⁷ From 2009 to 2020, Fannie and Freddie's annual share of the total MBS market averaged 70 percent. Including Ginnie Mae securities, those that are backed by FHA mortgages, the federal share of the MBS market averaged 92 percent per year.¹⁸ Moreover, from 2008 to 2020, the Federal Reserve went from holding zero MBS to more than \$2 trillion (combined Fannie, Freddie, and Ginnie MBS).¹⁹

Yet, the evidence suggests that the expansive federal role has done little to expand homeownership. Even though robust mortgage financing exists in virtually every developed nation, without the high degree of government involvement found in the United States, the overall U.S. homeownership rate is below average among developed nations (64.5 percent in the United States versus 68.1 percent for Organisation for Economic Co-operation and Development (OECD) countries).²⁰ And even though the U.S. ownership rate has changed little since the 1960s, volatility of home prices and home construction in the United States were among the highest in the industrialized world from 1998 to 2009.²¹ Federal housing finance policies have, at the very least, magnified economic instability by inducing higher home prices.²² Federal involvement expanded after the most recent financial crisis, for instance, and home prices rose to 43 percent *more* than where they peaked prior to their 2007 crash.²³ Separately, research demonstrates that 22 percent of the FHA's first-time homebuyers "failed to sustain their homeownership" between 2011 and 2016.²⁴ Regardless, the fact that prices are so far

¹⁷ See United States Department of Housing and Urban Development, "FHA Single Family Market Share, 2020 Q1," p. 4, <https://www.hud.gov/sites/dfiles/Housing/images/FHASFMarketShare2020Q1.pdf>.

¹⁸ These figures include both single-family and multi-family MBS. Securities Industry and Financial Markets Association, "US MBS Securities: Issuance, Trading Volume, Outstanding," October 13, 2021, <https://www.sifma.org/resources/research/us-mortgage-backed-securities-statistics/us-mortgage-backed-securities-statistics-sifma/>; and, Ginnie Mae, *Insurance Summary*, March 2021, https://www.ginniemae.gov/data_and_reports/reporting/MonthlyIssuanceReports/Mar21_ISS.pdf.

¹⁹ Board of Governors of the Federal Reserve System, "Assets: Securities Held Outright: Mortgage-Backed Securities: Wednesday Level [WSHOMCB]," retrieved from FRED, Federal Reserve Bank of St. Louis, June 26, 2022, <https://fred.stlouisfed.org/series/WSHOMCB>.

²⁰ These figures represent the combined ownership rate for people who own their home outright and those who own a mortgage, for both the United States and all Organisation for Economic Co-operation and Development (OECD) countries, using 2019 data, as reported in the OECD Affordable Housing Database, October 15, 2021, available at <https://www.oecd.org/housing/data/affordable-housing-database/>.

²¹ Dwight M. Jaffee, "Reforming the U.S. Mortgage Market Through Private Market Incentives," in Satya Thallam, ed., *House of Cards: Reforming America's Housing Finance System*, George Mason University, Mercatus Center, March 2012, pp. 23-25, http://mercatus.org/sites/default/files/House_of_Cards_March_2012.pdf (accessed March 6, 2014).

²² Broadly, federal housing policies have caused more than their share of economic turmoil. See Alex J. Pollock and Edward J. Pinto, "Political Disasters in US Housing: The Lessons of History," *Housing Finance International*, AEI Op-Ed, September 30, 2021, <https://www.aei.org/op-eds/political-disasters-in-us-housing-the-lessons-of-history/>.

²³ This 43 percent figure refers to the S&P/Case-Shiller U.S. National Home Price Index. See S&P Dow Jones Indices LLC, "S&P/Case-Shiller U.S. National Home Price Index [(CSUSHPISA)]," retrieved from FRED Economic Data, Federal Reserve Bank of St. Louis, October 15, 2021, <https://fred.stlouisfed.org/series/CSUSHPISA>.

²⁴ Donghoon Lee and Joseph Tracy, "FHA First-Time Buyer Homeownership Sustainability: An Update," Federal Reserve Bank of New York Liberty Street Economics, November 30, 2023, <https://libertystreeteconomics.newyorkfed.org/2023/11/fha-first-time-buyer-homeownership-sustainability-an-update/>.

from the bottom of a housing cycle is worrisome, especially since empirical evidence links large increases in housing prices to banking crises.²⁵

Other research, when examining asset price booms and busts in the OECD countries from 1970 to 2001, estimates that the probability of a real estate boom ending in a bust is 53 percent, whereas stock market booms have just a 13 percent probability of ending in a crash.²⁶ Another study estimates that a 1 percentage point increase in real home prices raises the probability of a U.S. financial crisis by 0.07 percent.²⁷ Moreover, the role of housing prices in U.S. financial crises is linked to high-leverage lending, where policies ensure that both borrowers and those who fund mortgages can do so with relatively little loss-absorbing equity. For decades, U.S. housing finance policy has helped increase the number of mortgages requiring low down payments used for financing homes, even though evidence clearly indicates that the risk of loan default increases (particularly among first-time home buyers) as the loan-to-value ratio increases.²⁸

Owning one's own home is commonly viewed as part of the American Dream, and policymakers – as well as special interest groups – regularly promote building wealth through buying a home. They also tout beneficial “spillover effects” from homeownership, such as increased engagement in civic institutions, greater political participation, and positive educational outcomes for children. However, much of the evidence for causal spillover effects – that is, the notion that owning a home *causes* people to change their behavior in beneficial ways – is weak, and the size of such spillover effects, where they do exist, does not appear to justify the historical level of government involvement.²⁹ Furthermore, other research has

²⁵ Carmen M. Reinhart and Kenneth S. Rogoff, “Is the 2007 US Sub-prime Crisis so Different? An International Historical Comparison,” *American Economic Review*, 98, no. 2 (May 2008): 339–44.

²⁶ Michael D. Bordo and Olivier Jeanne, “Boom-Busts in Asset Prices, Economic Instability, and Monetary Policy,” NBER Working Paper no. 8966, June 2002, pp. 9–10.

²⁷ See Ray Barrell et al., “Bank Regulation, Property Prices and Early Warning Systems for Banking Crises in OECD Countries,” *Journal of Banking and Finance*, Vol. 34, no. 9 (September 2010): 2255–64. Also see Mark Calabria, “The Role of Mortgage Finance in Financial (In)Stability,” in *Homeownership Built to Last: Balancing Access, Affordability, and Risk after the Housing Crisis*, ed. Eric S. Belsky, Christopher E. Herbert, and Jennifer H. Molinsky (Washington: Brookings Institution Press, 2014), pp. 372–93.

²⁸ “Legislative Proposals to Determine the Future Role of FHA, RHS and GNMA in the Single- and Multi-Family Mortgage Markets,” Testimony Before the House Financial Services Subcommittee on Insurance, Housing and Community Opportunity, 112th Cong., First Session, (September 8, 2011)(statement of Carol J. Galante), <https://financialservices.house.gov/uploadedfiles/090811galante.pdf>, pp. 14–15; Patric H. Hendershott and William R. Schultz, “Equity and Nonequity Determinants of FHA Single-Family Mortgage Foreclosures in the 1980s,” NBER Working Paper no. 4440, August 1993, <https://www.nber.org/papers/w4440>; George M. Von Furstenberg, “Default Risk on FHA-Insured Home Mortgages as a Function of the Terms of Financing: A Quantitative Analysis,” *Journal of Finance*, 1969, Vol. 24, no. 3 (June 1969), pp. 459–4–77; and Morris A. Davis et al., “A Quarter Century of Mortgage Risk,” AEI Economics Working Paper no. 2019-04, May 2021, <https://www.aei.org/research-products/working-paper/mortgage-risk-since-1990/>.

²⁹ Jane R. Zavisca and Theodore P. Gerber, “The Socioeconomic, Demographic, and Political Effects of Housing in Comparative Perspective,” *Annual Review of Sociology*, July 2016, Vol. 42, pp. 347–367, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6078393/>; David R. Barker, “The Evidence Does Not Show That Homeownership Benefits Children,” *Cityscape*, 2013, Vol. 15, No. 2, pp. 231–234, <https://www.jstor.org/stable/41959125>; and, Edward L. Glaeser and Jesse M. Shapiro, “The Benefits of the Home

suggested that homeownership is associated with *negative* spillover effects, such as higher unemployment due to an incentive against relocating.³⁰ Finally, although home equity frequently represents a large portion of many Americans' wealth, purchasing a home is a risky investment that often depends entirely on home price appreciation, an attribute fundamentally in conflict with housing becoming more affordable.³¹

Price Appreciation and Ownership Rates: A Closer Look

While government intervention in housing has steadily increased, the overall rate of U.S. homeownership has remained nearly constant over the past 50 years.³² On the other hand, the level of residential mortgage debt has increased more than fivefold – Federal Reserve data show that inflation-adjusted mortgage debt increased from about \$3 trillion in 1970 (two years after Fannie Mae became a GSE) to \$15.8 trillion in 2019. While countless government programs are touted as boosting homeownership, these policies have tended to increase *mortgage* ownership. According to the Census Bureau, the homeownership rate was 64 percent in 1970. That's basically where it hovered for most of the 1980s and 1990s, higher than where it bottomed out in 2016, and almost exactly where it stood in the middle of 2019.³³

Mortgage Interest Deduction," National Bureau of Economic Research Working Paper no. 9284, October 2002, https://www.nber.org/system/files/working_papers/w9284/w9284.pdf.

³⁰ See David G. Blanchflower and Andrew J. Oswald, "Does High Home-Ownership Impair the Labor Market?," National Bureau of Economic Research Working Paper no. 19079, May 2013, https://www.nber.org/system/files/working_papers/w19079/w19079.pdf; Jennifer Brown and David Matsa, "Locked in By Leverage: Job Search During the Housing Crisis," *Journal of Financial Economics*, Vol. 136, No. 3, June 2020, pp. 623-648; Sewin Chan, "Spatial Lock-in: Do Falling House Prices Constrain Residential Mobility?," *Journal of Urban Economics*, Vol. 49, No. 3, May 2001, pp. 567-586; and, Fernando Ferreira, Joseph Gyourko, and Joseph Tracy, "Housing Busts and Household Mobility: An Update," Federal Reserve Bank of New York Economic Policy Review, November 2012, pp. 1-15, <https://www.newyorkfed.org/medialibrary/media/research/epr/12v18n3/1210ferr.pdf>.

³¹ For at least the past 20 years, home prices have exhibited similar volatility to equity markets. Joe Cortright, "Why Homeownership Is Frequently A Bad Bet," *City Commentary*, July 15, 2019, <https://cityobservatory.org/why-homeownership-is-frequently-a-bad-bet/>. Also see Daniel Indiviglio, "Should the Government Encourage Home Ownership?," *The Atlantic*, June 17, 2010, <https://www.theatlantic.com/business/archive/2010/06/should-the-government-encourage-home-ownership/58320/>; and, Daniel Indiviglio, "The Fallacy of Eternal Home Price Appreciation," *The Atlantic*, April 6, 2010, <https://www.theatlantic.com/business/archive/2010/04/the-fallacy-of-eternal-home-price-appreciation/38546/>.

³² Between 1940 and 1960 the U.S. homeownership rate increased from 44 percent to 62 percent. Research suggests that it is "likely that there was some commonality between the drivers of the increases in non-farm home ownership in the pre-1930s and the post-1940 periods." See Daniel K. Fetter, "The 20th-Century Increase in US Home Ownership: Facts and Hypotheses," *National Bureau of Economic Research*, July 2, 2013, p. 5, <http://www.nber.org/chapters/c12801.pdf>. One key factor—which explains approximately 17 percent of the homeownership rate increase from 1940 to 1960—was that people began buying homes at much younger ages than previously. Research also suggests that increasing income accounted for up to 50 percent of the increase from 1940 to 1960, and up to 20 percent may have resulted from tax benefits becoming more pronounced as income increased. See Daniel K. Fetter, "The 20th-Century Increase in US Home Ownership: Facts and Hypotheses," pp. 16-18.

³³ U.S. Census Bureau, Homeownership Rate in the United States [RHORUSQ156N], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RHORUSQ156N>, October 15, 2021. After bottoming

There is, of course, much more to the home ownership story than just the national rate. For instance, the Census Bureau's American Community Survey (ACS) reports homeownership rates by core-based statistical area (CBSA), a statistic that can be paired with each CBSA's median price-to-income ratio.³⁴ These figures show a national ownership rate of 63.3 percent for 2019.³⁵ However, for the 25 CBSAs with the highest price-to-income ratios (the least affordable homes), the average ownership rate is just 61.8 percent. In San Jose and Los Angeles, both among the three CBSAs with the least affordable homes, the ownership rates are 56.6 percent and 48.6 percent, respectively. For the 25 CBSAs with the lowest price-to-income ratios (the *most* affordable homes), the average rate is 69.5 percent. And, of course, federal policies have fueled debt and correspondingly rapid home price appreciation at a much higher rate in the entry-level segment (lower-priced homes) of the market for at least the last decade.³⁶

Overemphasis on Rates and Demand Rather Than Supply

Even if positive spillover effects from home ownership clearly outweighed the negative ones, it would not automatically follow that the federal government should undertake a policy of actively encouraging people—especially those with low wealth or volatile income—to finance home purchases. The fact that the federal government encourages home financing through low-equity long-term debt further strengthens this argument. Such mortgages are risky for both borrowers and lenders, and the ability to consistently repay a mortgage—or consistently pay rent in a timely manner—is dependent on broad economic and social factors.

Those broad factors, including education quality and regulatory barriers that hamper employment and opportunity, ultimately determine the ownership and rental rates in the economy, and it is a mistake to assume that any ownership rate is the “correct” one. Policies that simply target the ownership rate are destined to fail precisely because they do nothing to change the underlying economic factors that govern the long-term ability to successfully finance large dollar purchases.

out at 65.4 percent after the COVID-19 pandemic shutdowns (in the first quarter of 2022), the rate stood at 66 percent in the third quarter of 2023.

³⁴ These figures were provided to the author by the AEI Housing Center.

³⁵ According to Census data, the African American ownership rate in 2000 was 46.3 percent, *higher* than the 2019 rate of 44 percent. See United States Census Bureau, “Historical Census of Housing Tables: Homeownership by Race and Hispanic Origin,” 2000, <https://www2.census.gov/programs-surveys/decennial/tables/time-series/coh-ownershipbyrace/ownershipbyrace-tab.txt>; and, United States Census Bureau, “Quarterly Residential Vacancies And Homeownership, Second Quarter 2021,” July 27, 2021, Table 7, <https://www.census.gov/housing/hvs/files/currenthvspress.pdf>.

³⁶ See Edward J. Pinto, Norbert J. Michel, and Tobias Peter, “Comment Letter for Qualified Mortgage Definition under the Truth in Lending Act (Regulation Z), Consumer Financial Protection Bureau, Docket No. CFPB-2019-0039,” September 18, 2019, <https://www.aei.org/research-products/report/comment-letter-on-the-qualified-mortgage-definition/>.

In 1994, President Clinton launched National Partners in Homeownership, a private–public cooperative, with an explicit goal of raising the U.S. homeownership rate from 64 percent to 70 percent by 2000.³⁷ Although the rate increased from 64 percent in 1994 to 69 percent in 2004, at a time when Fannie and Freddie went from holding (combined) 35 percent of the nation’s mortgages to more than 43 percent,³⁸ more than 4 million people lost their homes during the 2008 financial crisis, and the rate fell back to 65 percent—only 1 percentage point higher than in 1968. This episode is emblematic of longstanding federal housing finance policy with a misplaced emphasis on the rate of ownership and federal intervention that boosts the quantity of home mortgages.

These demand-side policies have been particularly problematic because, compared to increasing the supply of housing, it is rather easy to boost demand. Housing supply is always relatively constricted in the sense that available land (in locations that people most desire to live) is a prerequisite for large scale home building, and because a new home (or apartment building) takes at least several months to construct. In many areas, state and local regulatory restrictions have contributed heavily to supply constraints in housing markets, often by limiting the amount of land that can be used for particular types of housing.³⁹ Inducing demand in supply-constrained markets can only serve to put upward pressure on prices, and housing markets are no exception. Thus, federal housing finance policies have typically made it more expensive (everything else constant) to either buy or rent a dwelling. Nonetheless, inducing demand is precisely what federal policies have done for decades, and there appears to be no desire in Congress (or the administration) to reverse, or even slow, that trend.

Further Interference with Housing Markets Will Increase Risky Debt and Prices

Recent moves by the Biden administration, as well as multiple congressional proposals, demonstrate a clear commitment to implementing the same types of failed housing policies that have consistently expanded government intervention in housing markets at a great cost to millions of Americans. For instance, the Treasury and the Federal Housing Finance Agency (FHFA) announced (on September 14, 2021) that they would suspend certain conditions (added in 2021) to the Preferred Stock Purchase Agreements (PSPAs) that govern the conservatorships

³⁷ Norbert Michel and John Ligon, “Fannie and Freddie: What Record of Success?,” Heritage Foundation Backgrounder no. 2854, November 7, 2013, <https://www.heritage.org/housing/report/fannie-and-freddie-what-record-success>.

³⁸ These figures refer to *Total Mortgages Held or Securitized by Fannie Mae and Freddie Mac, as a Percentage of Residential Mortgage Debt Outstanding*, as reported by the FHFA. See Federal Housing Finance Agency, Data, *Enterprise Share of Residential Mortgage Debt Outstanding 1990 – 2010, 2021*, <https://www.fhfa.gov/DataTools/Downloads/Pages/Current-Market-Data.aspx>.

³⁹ Lee Ohanian, “Common-Sense Policy Reforms for California Housing,” Cato Policy Analysis no. 920, August 31, 2021, <https://www.cato.org/policy-analysis/common-sense-policy-reforms-california-housing>; and, Vanessa Brown Calder, “Zoning, Land-Use Planning, and Housing Affordability,” Cato Policy Analysis no. 823, October 18, 2017, <https://www.cato.org/policy-analysis/zoning-land-use-planning-housing-affordability>.

of Fannie Mae and Freddie Mac.⁴⁰ The PSPAs are key to protecting taxpayers against future bailouts and ensuring that Fannie and Freddie (the enterprises) do not further crowd out private capital,⁴¹ but the administration weakened those protections by suspending the provisions that capped the enterprises' purchases of multifamily housing loans, as well as single-family loans "with higher risk characteristics," second homes, and investment properties.⁴² These last two provisions have nothing to do with helping people become homeowners, and they represent a naked give away to special interests that lobby to maximize real estate lending. Uncapping the enterprises' multifamily loan purchases is also a giveaway to corporate rent seekers and will likely do little, if anything, to increase the amount of housing that would otherwise go unbuilt.

Separately, the FHFA amended the Enterprise Regulatory Capital Framework (ERCF) enacted in 2020.⁴³ The ERCF framework was designed to strengthen the enterprises and protect taxpayers and was among the most meaningful housing finance reforms since 2008. Yet, the administration lowered the enterprises' prescribed leverage buffer amount (PLBA) and the floor on the risk weight assigned to any retained credit risk transfer (CRT) exposures. Just as with weakening the PSPA provisions, it makes zero sense to lower the GSEs' capital requirements, especially when home prices have risen so much.

Aside from the potential effect on home prices, rolling back these reforms will weaken the enterprises' capital position and force taxpayers to back more high-risk loans, thus increasing the risk of future bailouts. Of course, reducing the capital requirements is precisely what various special interest groups have been calling for since the FHFA originally proposed the ERCF. For instance, the cottage CRT industry, ironically a group that consists mostly of large investors and Wall Street firms, has long called for *no risk weight floor* on CRT exposures, which is equivalent to treating them as risk-free investments as safe, or safer, than U.S. Treasuries.

⁴⁰ Federal Housing Finance Agency, "FHFA and Treasury Suspending Certain Portions of the 2021 Preferred Stock Purchase Agreements," *News Release*, September 14, 2021, <https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-and-Treasury-Suspending-Certain-Portions-of-the-2021-Preferred-Stock-Purchase-Agreements.aspx>.

⁴¹ Joel Griffith and Norbert Michel, "Revising the Preferred Stock Purchase Agreements of Fannie Mae and Freddie Mac May Be the Biggest GSE Bailout Yet," Heritage Foundation Backgrounder no. 3448, November 4, 2019, <https://www.heritage.org/sites/default/files/2019-11/BG3448.pdf>.

⁴² Federal Housing Finance Agency, "Enterprise Regulatory Capital Framework—Prescribed Leverage Buffer Amount and Credit Risk Transfer," Final Rule, Federal Register, Vol. 87, No. 51, Wednesday, March 16, 2022, <https://www.govinfo.gov/content/pkg/FR-2022-03-16/pdf/2022-04529.pdf>. For the original rule proposal, see Federal Housing Finance Agency, "FHFA and Treasury Suspending Certain Portions of the 2021 Preferred Stock Purchase Agreements," *News Release*, September 14, 2021, <https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-and-Treasury-Suspending-Certain-Portions-of-the-2021-Preferred-Stock-Purchase-Agreements.aspx>.

⁴³ Federal Housing Finance Agency, "Enterprise Regulatory Capital Framework Rule—Prescribed Leverage Buffer Amount and Credit Risk Transfer," Notice of proposed rulemaking, *Federal Register*, Vol. 86, no. 184, September 27, 2021, <https://www.govinfo.gov/content/pkg/FR-2021-09-27/pdf/2021-20297.pdf>.

From a safety and soundness standpoint, the idea that CRTs eliminate the enterprises' risk is pure fantasy – they increase the enterprises' financial obligations and their value to either the enterprises or taxpayers is highly questionable.⁴⁴ Similarly, it makes little sense to lower the existing leverage buffer, a mechanism that serves as a part of a backstop to the enterprises' risk-based capital requirements. In addition to the tier 1 leverage ratio, the GSEs were originally required to maintain a fixed buffer of at least 2.5 percent tier 1 capital to adjusted total assets.⁴⁵ Lowering this amount—or any of the risk-based requirements—cannot legitimately be described as improving the enterprises' safety and soundness because it does the exact opposite. If anything, the original rule should have required *higher* capital ratios, so that the enterprises' requirements were more in line with those of the Global Systemically Important Banks (GSIBs).

Nonetheless, the administration replaced the fixed buffer with “a dynamic leverage buffer determined annually and tied to the stability capital buffer,” a change that the FHFA estimates will reduce the enterprises' leverage buffers by about two-thirds.⁴⁶ Perhaps worse, the administration appears to be setting up an even larger reduction in capital. The new proposal asked for comments on whether “the prudential risk weight floor of 20 percent on single-family and multifamily mortgage exposures [is] appropriately calibrated,”⁴⁷ a signal that the administration wants to lower the enterprises' overall capital requirements.

Harmful Programs Included in Reconciliation Package

Aside from these risky housing finance provisions, advocates are trying to implement multiple housing policies that will make housing less affordable. For instance, on June 21, 2023, Ranking Member Maxine Waters (D-CA) introduced the Downpayment Toward Equity Act, a bill that would provide downpayment assistance grants to people who (among meeting other

⁴⁴ Federal Housing Finance Agency, “Performance Of Fannie Mae’s And Freddie Mac’s Single-Family Credit Risk Transfer,” May 2021, <https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/CRT-Overview-05172021.pdf>. The report also explains (see page 23) that “CRT investors and counterparties are projected to receive a simple return [interest and premiums received less write downs and reimbursements divided by risk in force at issuance] of about 26 percent on the original reference pool UPB in the baseline scenario and 16 percent in the 2007 Replay.”

⁴⁵ The original ERCF required the GSEs to maintain a leverage ratio of tier 1 capital to adjusted total assets of at least 2.5 percent, as well as a fixed tier 1 capital prescribed leverage buffer amount (PLBA) of at least 1.5 percent of adjusted total assets. The final rule replaced the GSE’s fixed leverage buffer (the PLBA, equal to 1.5 percent of a GSE’s adjusted total assets) with a “dynamic leverage buffer equal to 50 percent of the Enterprise’s stability capital buffer.” See Federal Housing Finance Agency, “Enterprise Regulatory Capital Framework—Prescribed Leverage Buffer Amount and Credit Risk Transfer,” Final Rule.

⁴⁶ Federal Housing Finance Agency, “Enterprise Regulatory Capital Framework Rule—Prescribed Leverage Buffer Amount and Credit Risk Transfer,” Figure 2, p. 53237.

⁴⁷ Federal Housing Finance Agency, “Enterprise Regulatory Capital Framework Rule—Prescribed Leverage Buffer Amount and Credit Risk Transfer,” p. 53238. Even the Financial Stability Oversight Council (FSOC) officially stated that the enterprises' capital requirements should not be lower than those in the 2020 ERCF. United States Department of the Treasury, “Financial Stability Oversight Council Issues Statement on Activities-Based Review of Secondary Mortgage Market Activities,” September 25, 2020, p. 4, <https://home.treasury.gov/news/press-releases/sm1136>.

requirements) earn up to 1.2 times their area median income.⁴⁸ There is no doubt that it is difficult to save a large downpayment for a mortgage, but it does not follow that the federal government should provide even a portion of those funds. Among other problems, subsidizing downpayments puts upward pressure on home prices, making it more expensive for everyone who buys a home *and* for those who rent.⁴⁹

Unsurprisingly, downpayment assistance programs have a miserable track record in the United States, and in 2008 Congress eliminated the FHA's seller-funded downpayment assistance program because it was such a disaster.⁵⁰ A 2007 Government Accountability Office report showed that "the probability that loans with seller-funded downpayment assistance would result in claims against the [FHA's insurance] fund was 76 percent higher in the national sample and 166 percent higher in the MSA sample than it was for comparable loans without such assistance."⁵¹

Separate from loans in that failed FHA program, delinquencies of single-family FHA loans with downpayment assistance are consistently higher than FHA loans without such assistance.⁵² In fact, there is evidence that borrowers who provide even small downpayments from their own savings display lower default rates than those who receive downpayments from an outside source, possibly suggesting that *the act of saving* the money is an important signal of underlying attributes.⁵³

⁴⁸ See Downpayment Toward Equity Act of 2023, H.R.4231. This bill is similar to a policy that House Financial Services attempted to enact through the Concurrent Resolution on the Budget for Fiscal Year 2022 (Section 40201), <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=408300>. Also see Norbert Michel, "House Financial Services Is Pushing For A Downpayment Assistance Program, Another Failed Policy From The Past," *Forbes*, September 17, 2021, <https://www.forbes.com/sites/norbertmichel/2021/09/17/house-financial-services-is-pushing-for-a-downpayment-assistance-program-another-failed-policy-from-the-past/?sh=777c8ec94394>.

⁴⁹ In October 2023, the Biden administration also proposed a \$10 billion down payment assistance program. See White House, "White House Announces New Actions on Homeownership," October 16, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/10/16/white-house-announces-new-actions-on-homeownership/>.

⁵⁰ Legislative Proposals To Determine The Future Role Of FHA, RHS, and GNMA In The Single- And Multi-Family Mortgage Markets, Hearing Before The Subcommittee On Insurance, Housing, And Community Opportunity Of The Committee On Financial Services, U.S. House Of Representatives, 112th Congress, First Session, May 25, 2011, <https://www.govinfo.gov/content/pkg/CHRG-112hhrg66870/html/CHRG-112hhrg66870.htm>.

⁵¹ U.S. Government Accountability Office, "Seller-Funded Down-Payment Assistance Changes the Structure of the Purchase Transaction and Negatively Affects Loan Performance," GAO-07-1033T, June 22, 2007, <https://www.gao.gov/assets/gao-07-1033t.pdf>; and, Bruce Foote, "Treatment of Seller-Funded Downpayment Assistance in FHA-Insured Home Loans," *Congressional Research Service*, March 11, 2009, https://www.everycrsreport.com/files/20090311_RS22934_8a19891e362701515226541e1e64be0c057e3d02.pdf.

⁵² The monthly FHA Single-Family Loan Performance Trends Report is available online as far back as 2013, and it shows similarly above average delinquencies throughout the years. For one example, see U.S. Department of Housing and Urban Development, *Federal Housing Administration, Annual Report, Fiscal Year 2020*, p. 39, <https://www.hud.gov/sites/dfiles/Housing/documents/2020FHAAnnualReportMMIFund.pdf>.

⁵³ Austin Kelly, "'Skin in the Game': Zero Downpayment Mortgage Default," *Journal of Housing Research*, Vol. 17, no. 2, 2008, <https://www.tandfonline.com/doi/abs/10.1080/10835547.2008.12091991>.

Small Changes Would Go a Long Way to Reducing Federal Intervention

In the wake of the COVID-19 pandemic, Congress has continued its trend of adding harmful federal policies to the U.S. housing market. These policies compound the negative effects of other harmful policies, such as the Federal Reserve’s support of the secondary mortgage market, federal intervention in housing markets at the agency level, and state and local supply constraints.

All the average American has to show for decades of failed federal housing policies is excessive debt, high housing costs, volatile home prices, overregulation, distorted markets, and a trail of federal bailouts. The U.S. homeownership rate is almost exactly where it was in the 1960s, home prices have consistently outpaced income growth, and taxpayers have been forced to shell out hundreds of billions of dollars. Although it may be convenient to blame “Wall Street,” interest rates, or “speculators” for distorted housing markets, the truth is that the federal government is—and has been for some time—the dominant force in U.S. housing markets.

Rather than focus on broad underlying economic and social problems that make it difficult to sustainably earn higher income and build wealth, federal policies have consistently increased housing demand by making it easier to obtain home mortgages. There appears to be no momentum in Congress to reverse these trends. If Congress is unwilling to end federal intervention in housing markets, as it should, several small changes would go a long way toward reducing price pressures from the demand side of the (nearly always) supply-constrained housing market, thus making housing more affordable. The following list provides just a few examples of such policy changes:

- **Limit federal mortgage insurance.** Congress should limit the FHA’s single-family insurance portfolio to first-time homebuyers, without any refinance eligibility (through the FHA) over the tenure of the loans in force. That is, FHA insurance should be provided only to people who have never owned a home, rather than those who have not owned a home during the last several years. Congress should also reduce the loan-loss coverage in the FHA’s single-family mortgage insurance program from the current 100 percent to 50 percent.⁵⁴ Federal mortgage insurance has the added negative effect of crowding out private financial market solutions to mortgage insurance, thus reducing economic opportunity. Additionally, the FHA should decrease the value of loan limits eligible for FHA single-family mortgage insurance to (at most) the first quartile of home prices.

⁵⁴ John Ligon and Norbert Michel, “The Federal Housing Administration: What Record of Success?,” Heritage Foundation Backgrounder no. 3006, May 11, 2015, <https://www.heritage.org/housing/report/the-federal-housing-administration-what-record-success>.

- **Limit GSE activity.** Congress should define (and enforce) the “excessive use” provisions in Fannie and Freddie’s charters, revoke Fannie and Freddie’s exemption from the requirements to register their securities offerings under the 1933 Securities Act, and narrow the GSEs’ focus to the financing of primary homes. The FHFA should raise Fannie and Freddie’s mortgage guarantee fees, eliminate the geographic price differentials for the GSEs’ conforming loan limits, and gradually reduce conforming loan limits. Banking regulators should adjust risk-weighted capital rules so that financial institutions cannot treat GSE debt and mortgage-backed securities as if they are U.S. government obligations.

Without reversing course, federal policies will further expand government intervention in housing markets at a great cost to millions of Americans. They will put even more upward pressure on prices and rental rates, waste taxpayers’ money, and ultimately make housing less affordable. Ideally, the federal government would end policies that favor ownership over renting *and* stop intervening in housing markets.

Thank you for the opportunity to provide this information. I welcome any questions that you may have.



Testimony of
Arianna Royster, President, Borger Residential
On behalf of the National Apartment Association and the
National Multifamily Housing Council
Before the House Financial Services Committee,
Subcommittee on Housing, and Insurance
For a Hearing Entitled:
*“Housing Affordability:
Governmental Barriers and Market-based Solutions”*

December 6, 2023

Chairman Davidson, Ranking Member Cleaver, and members of the subcommittee, thank you for the opportunity to testify today on the important issue of housing affordability. My name is Arianna Royster, the President of Borger Residential, and I am pleased to testify on behalf of the 100,000 combined members of the National Apartment Association (NAA) and the National Multifamily Housing Council (NMHC).

Borger Residential has been serving communities in Washington, D.C., Maryland, and Virginia for over 50 years. We strive to bring our core values of stewardship, leadership, innovation, and accountability to multifamily property management, as well as the communities and residents we serve. We are a locally owned firm with 100+ properties encompassing 8,700 multi-family units.

In my role with Borger, I provide strategic guidance and oversee all operations for our multi-family communities. This also includes spearheading leasing and marketing initiatives and implementing comprehensive training and development programs for the organization. I am a former President and current Board Member of the Apartment and Office Building Association of Metropolitan Washington and a Region 1 Vice President for NAA.

NAA and NMHC are committed to working together with federal policymakers to support communities nationwide by providing quality housing that American renters rely on. Yet, decades of undersupply make this increasingly more difficult at an affordable price point for many households. Issues persist like supply chain disruptions, labor shortages, increasing interest rates, rising costs for construction, materials and operational needs, many of which were particularly acute due to the pandemic. In addition, restrictive land-use requirements, and regulatory barriers at all levels of government increase the cost of maintaining existing housing and building new.

To sustainably address the nation's housing affordability challenge, policymakers should prioritize long-term solutions that will increase the supply of affordable rental housing. At the same, we must also ensure that there is adequate, effective rental assistance for struggling families in the short term. Under any strategy, we urge you to take care not to impose additional costly regulations on the rental market which will result in increased rents and make it even more difficult for households to access needed housing opportunities. These regulatory hurdles are exacerbated for small, mom-and-pop rental providers who, by an estimate from the Department of Housing and Urban Development (HUD), supply over half of the nation's rental housing.¹

State of the Rental Housing Market

Supply/Demand Imbalance will Persist in the Long-term

The housing market has improved recently for renters with the largest surge in new completions in over 30 years, resulting in an influx of 405,367 units.² The surge in

¹ <https://www.huduser.gov/portal/pdr-edge/pdr-edge-fm-asst-sec-061118.html>

² <https://www.naahq.org/apartment-market-pulse-fall-2023>.

supply has led to increased vacancies, which in turn triggered rapidly cooling rent growth. Annual rent growth has been steadily declining since the first quarter of 2022.³ The benefits to renters in terms of having access to a wider range of options are seen for the most part in those local areas with a 5 percent or greater increase in supply. However, in areas with lower supply, rents for Class B and C apartments are still increasing because there is a lower vacancy rate, giving renters fewer options.

While the rental housing market is more favorable for renters in the short term in some markets, given the tumult of the pandemic, it is still on an overarching path toward unsustainability. There simply are not enough rental units to meet the growing consumer demand.

According to [research conducted by Hoyt Advisory Services and Eigen10 Advisors, LLC](#)⁴, and commissioned by NAA and NMHC, residents across the United States are counting on the construction of 4.3 million new apartment homes by 2035. Other key findings from the study include:

- **Shortage of 600,000 Apartment Homes.** The 4.3 million apartment homes needed includes an existing 600,000 apartment home deficit because of underbuilding after the 2008 financial crisis.
- **Loss of Affordable Units.** The number of affordable units (those with rents less than \$1,000 per month) declined by 4.7 million from 2015 to 2020.
- **Homeownership.** Apartment demand also factors in a projected 3.8 percent increase in the homeownership rate.
- **Immigration.** Immigration is a significant driver of apartment demand, and levels tapered before the pandemic and have remained low. A reversal of this trend would significantly increase apartment demand.

Development Activity is Slowing

NAA and NMHC members are reporting that current economic and regulatory challenges are causing them to cut back significantly on development activities, in some cases, by as much as 50 percent. This trend will have long-term negative impacts on the supply of rental housing if it continues. NMHC's October 2023 Quarterly Survey of Apartment Market Conditions also indicates the following troubling statistics, all of which worsened from the July 2023 Quarterly Survey:

- Over half of respondents (57 percent) reported lower sales volume from three months prior.
- 64 percent of respondents reported equity financing to be less available than three months ago, marking the seventh straight quarter of less availability; and

³ Based on data from RealPage.

⁴ www.weareapartments.com

- 83 percent said it was a worse time for mortgage borrowing compared to three months earlier, the ninth consecutive quarter in which debt financing became less available.

Operational Costs Continue to Rise

Operating apartments has become increasingly challenging, highlighted by rising expenses. Industry data shows an average expense increase of 9.3 percent for the 12 months ending June 30, 2023, with insurance, state and local taxes, repairs/maintenance, administrative and payroll costs taking the lead.⁵ Other cost drivers seeing significant increases, especially in urban markets, are utilities and the provision of security.

As highlighted above, one of the most challenging operational costs that has increased dramatically in recent years is insurance. The lack of affordability and availability of insurance options for property owners, of all types, increasingly puts needed insurance coverage out of reach or limits the ability of property owners to make needed investments in their properties. Two new data sets show the significant impact of insurance costs on housing operations and affordability. First, NMHC released the [State of Multifamily Risk Survey & Report](#) in June of 2023 which looked across all types of multifamily housing and showed, on average, property insurance premiums soaring 26 percent year-over-year. Yet, it is not uncommon to hear of triple-digit property premium increases in certain parts of the country. Other lines of coverage are also troublesome and impacting property operations.

As problematic as this has been across the broader housing ecosystem, the challenge is even more daunting in the affordable and middle-income housing space. [A new survey and report released in September](#), commissioned by the National Leased Housing Association (NLHA), and supported by NAA, NMHC and other affordable housing organizations, focused on the impact of the current insurance market challenges on affordable housing providers. The survey found that rental housing businesses are facing much higher premiums—nearly one in every three policies had rate increases of 25 percent or more. These conditions have led to negative impacts on both housing providers and renters, with most housing providers indicating that they would take action to mitigate cost increases due to higher insurance premiums by increasing insurance deductibles, decreasing operating expenses, and being forced to increase rent.

Insurance is not the only area of property operations seeing an acute increase in costs. Based on data from NAA's Income/Expense IQ, property taxes have surged by an average of 6.5 percent from 2021 to 2022. Notably, cities like Orlando, Norfolk, Va., Minneapolis, Riverside, Calif., and Salt Lake City have experienced double-digit increases.

Data from the 2022 Income/Expense IQ also revealed that costs for utilities experienced the highest increase, up 14.3 percent year-over-year. Natural gas and heating fuel

⁵ <https://www.yardimatrix.com/Publications/Download/File/4486-MatrixResearchBulletin-Expenses-September2023>

came out on top, increasing by 41.8 percent and 19.1 percent, respectively. Additionally, Electricity, internet/wireless and water/sewer all rose by double digits. Total repairs and maintenance were up 13.7 percent with a median cost of \$950, driven by appliances, painting/decorating, and general repairs, all of which increased by 20 percent or more.

Payroll and other administrative expenses increased by 8.5 percent for the rental housing industry. Labor market challenges have plagued the industry for years, particularly for on-site staff, but the red-hot job market that was kickstarted by the pandemic recovery and stayed strong through 2022, only exacerbated the problems.

Operating Margins Remain Thin

Rental housing is a low-margin business. According to NAA's Dollar of Rent research, on average, for every rent dollar collected in the U.S., \$0.93 is allocated towards the essential expenses necessary to operate rental communities⁶. These expenses include property maintenance, employee salaries, property taxes, insurance, and capital improvements. With such a slim margin, any substantial rise in operating costs can profoundly impact the sustainability of rental housing providers, add to the cost of rent, and potentially affect housing stability for millions of Americans.⁷

The Federal Regulatory Environment is Increasingly Challenging

State and local laws already heavily regulate the relationship between a rental housing provider and their residents, according to their specific market needs and characteristics providing protection to both parties. Increasing efforts to add federal layers of regulation on top of what is already an overly complicated set of federal, state and local compliance responsibilities for housing providers will ultimately hurt renters.

Adding additional Federal requirements increases market uncertainty, confuses residents and their housing providers, and disincentivizes investment in housing, especially federally backed or federally assisted affordable housing, where there is often greater risk and smaller margins. Instead, policymakers should focus on solutions that encourage new housing supply which will, in turn, better ensure housing affordability. These additional regulations do nothing to address the root cause of affordability, which is a lack of available housing. Specific examples mentioned in NAA's Property Management Industry Pulse include the increasingly difficult eviction process for non-payment of rent and rent control laws.⁸

One such example is the lingering 30-day notice-to-vacate requirement from the CARES Act. Evictions are not good for rental housing providers and residents alike; however, they are a necessary tool to ensure that sufficient resources are available to adequately maintain properties for all residents. Section 4024 of the Act established a temporary 120-day moratorium on evictions due to nonpayment of rent, applicable to

⁷ <https://www.naahq.org/breaking-down-one-dollar-rent-2023>

⁸ <https://www.naahq.org/operational-efficiencies-are-top-industry-challenge-new-survey-shows>

federally backed and federally assisted housing. HUD recently issued a proposed rulemaking which would make this permanent for units in certain HUD assisted programs. This section of the CARES Act also instituted what should have been a temporary notice procedure, requiring housing providers to notify covered residents 30 days before filing for eviction after the moratorium ended on July 24, 2020. This temporary federal notice requirement remains, long after the moratorium and the federal COVID-19 public health emergency have ended. This requirement adds confusion to the eviction process established by states and further delays resolutions, which causes additional stress on housing providers and renters.

NAA and NMHC members have similar concerns around fees. We agree that transparency in the cost of rental housing is positive for renters and housing providers alike. It is disappointing, however, that rental housing fees that are assessed to cover legitimate operational needs and services beyond the cost of rent continue to be mischaracterized as “junk fees.” Federal policymakers have [recently suggested](#) that rental housing residents are pervasively being taken advantage of by housing providers. This political rhetoric comes on the heels of dozens of new proposals from federal agencies in the past two years, which would make it more costly to provide housing and to adequately address the needs in our communities and of our residents.

The potential for the most significant changes to federal housing policy are embodied in the [White House Blueprint for a Renters Bill of Rights](#) released in January of this year. In its Blueprint, the Biden White House proposes five principles designed to better ensure access to:

1. Safe, Quality, Accessible and Affordable Housing;
2. Clear and Fair Leases;
3. Education, Enforcement and Enhancement of Renter Rights;
4. The Right to Organize; and
5. Eviction Prevention, Diversion, and Relief.

The Blueprint recognizes more than two dozen commitments from agencies and Fannie Mae and Freddie Mac (collectively “the enterprises”) to examine and potentially implement sweeping changes to federal housing policy in line with Blueprint principles. These include a commitment by the Federal Housing Finance Agency to consider federalizing landlord and tenant laws, including possible rent control for enterprise-backed properties. This would have devastating impacts on housing markets and ultimately result in even fewer quality and affordable, rental housing options for renters.

Rental markets vary widely across the country, which is why local solutions tailored to individual markets is most appropriate, and much like our concerns about the [CARES Act notice to vacate requirement](#), practical implementation challenges and unintended consequences would result from expanding federal landlord and tenant requirements onto housing providers in the private market.

The Blueprint announcement also launched the White House's Resident-Centered Housing Challenge, a call-to-action for housing providers and stakeholders to improve the quality of life for renters. NAA and NMHC both made strong commitments that align with our members' goals to provide quality housing opportunities for the communities they serve and support for their residents.

NAA's response to the challenge is being completed and will be submitted to the Administration soon. [NMHC's response to the challenge can be accessed here.](#)

State and Local Barriers to Development Impede New Supply

Regulatory, administrative, and political obstacles at all levels of government prevent us from delivering the housing our country so desperately needs. The rental housing industry faces significant barriers to new apartment construction, development and renovation. Rising costs and regulatory burdens at all levels of government further depress apartment development and rehabilitation nationwide. The most significant barriers are often imposed at the state and local levels of government, and incentives are needed to remove barriers to apartment development and streamline regulatory burdens.

Even in communities that want and desperately need rental housing development, we face hurdles like NIMBYism, zoning restrictions, rent control and other onerous local requirements (e.g., building code provisions that have nothing to do with health or safety, land or infrastructure donation requirements and ill-fitting transportation and parking mandates). All of which account for an average of 40.6 percent of multifamily costs further impacting affordability – according to research released by NMHC and the National Association of Home Builders (NAHB).⁹ Although smart regulations can play an important role in ensuring the health and wellbeing of the American public, the NMHC-NAHB research found that many regulations can go far beyond those important goals and impose costly mandates on developers that drive housing costs higher.

Sustainable Solutions to Housing Affordability Challenges

Incentivize Lowering Government Barriers and Increase Housing Supply

Boosting housing supply is critical to addressing housing affordability in the long-term. One step to increase housing supply is to deploy the Biden Administration's Housing Supply Action Plan. Issued in May 2022, the plan aims to address the myriad challenges to develop new housing and would dramatically increase much-needed supply, such as:

- Reward jurisdictions that have reformed zoning and land-use policies with higher scores in certain federal grant processes, for the first time at scale;

⁹ https://www.nmhc.org/research-insight/research-report/nmhc-nahb-cost-of-regulations-report/?utm_medium=email&utm_source=apartmentwire&utm_campaign=nmhc_news

- Deploy new financing mechanisms to build and preserve more housing where financing gaps currently exist;
- Expand and improve existing forms of federal financing, including for affordable multifamily development and preservation; and
- Work with the private sector to address supply chain challenges and improve building techniques.

Easing local and state regulations could go a long way to addressing the housing affordability challenges faced by communities across the nation while making critical investments in infrastructure of all types. Looking forward, at a macro level, we urge Congress to redouble its efforts to incentivize states and localities to remove or mitigate local barriers to development of rental housing. Examples include:

- Streamline and fast track the entitlement and approval process;
- Provide density bonuses and other incentives for developers to include workforce units in their properties;
- Enable “by-right” zoning and create more fully entitled parcels;

To this end, NAA and NMHC strongly support the Yes in My Backyard (YIMBY) Act (H.R. 3507/S. 1688). This legislation would help eliminate barriers to development by requiring Community Development Block Grant (CDBG) recipients to report periodically on the extent to which they are removing discriminatory land use policies and promoting inclusive and affordable housing. Exclusionary land use policies like zoning and density restrictions, onerous parking requirements and other development regulations exacerbate both the housing supply and affordability crisis. We urge Congress and the Administration to support this legislation.

Improve the Section 8 Housing Choice Voucher (HCV) Program

Since developing new housing can take some time due to the number of barriers to development, improving existing government subsidy programs is an important step to increase housing affordability in the short-term.

NAA and NMHC strongly support the Section 8 HCV Program, which has long served as America's primary method for aiding 2.1 million low-income households with rental assistance. This public/private partnership helps millions of Americans find homes in communities near good schools, jobs, and transportation services, but reforms are needed to expand private industry participation.

NAA recently surveyed frontline rental housing providers about their experiences, challenges and recommendations regarding the HCV program. The survey findings revealed five key reasons why housing providers are leaving the HCV program¹⁰:

¹⁰ <https://www.naahq.org/unveiling-reality-rental-housing-providers-insights-housing-choice-voucher-program>

1. The administrative burden and paperwork requirements were the most significant challenge that led to rental housing providers leaving the HCV program.
2. Burdensome inspection and approval processes ranging from inconsistent inspection processes to lengthy application processes.
3. Inefficient communication and a lack of timely responses from PHAs as major stumbling blocks in their interactions.
4. Systemic issues associated with the voucher program such as liability for damages and repairs in residences occupied by voucher recipients.
5. Increased administrative costs to accept vouchers increased financial strain caused by higher insurance costs attributable to accepting vouchers.

To address these concerns and bring private sector participants back to the Section 8 program, NAA and NMHC strongly support the bipartisan and bicameral Choice in Affordable Housing Act (H.R. 4606; S. 32), which would enact common-sense reforms that could help improve the program for both renters and property owners and increase housing provider participation overall. Key elements of this legislation include:

- Enabling PHAs to make one-time incentive payments to recruit housing providers into the program;
- Allowing PHAs to pay for security deposits for voucher holders;
- Awarding bonus payments to PHAs that hire "landlord liaisons" to contact, recruit, retain and generally support private housing providers;
- Permitting units in buildings that have been inspected in the last year under other federal housing programs to meet the HCV inspection approval;
- Expediting the inspection progress by creating a 60-day "pre-inspection" approval for housing providers who anticipate participating in the HCV Program;

The Choice Act also funds Tribal HUD-Veterans Affairs (VASH) program to help renters on tribal lands including programs for Native American veterans who are homeless or at risk of homelessness. It expands upon the 2016 Small area Fair Market Rent rules by requiring the use of neighborhood-specific data to set rents in three times as many communities as originally designated. Importantly, there is a provision in this section limiting rent decreases for any unit currently accepting Section 8.

We strongly encourage Congress and the Administration to support this legislation.

Avoid Disincentives to Investment in Housing Development

1. Don't Federalize the Housing Provider/Resident Relationship

Housing providers are subject to a wide range of federal, state, and local laws and regulations, and private lease agreements further define the rights and responsibilities of the parties involved in rental agreements. These protections and requirements include fair housing practices, consumer reporting and debt collection laws, property operation and management rules, eviction process requirements and enforcement provisions to guard against fraud and abuse.

Housing policy is highly localized, and operations and management practices are largely shaped by state and local laws and regulations. Any new, federal one-size-fits-all set of requirements likely will not account for, or conflict with, the unique housing needs of individual real estate markets.

2. Reject Rent Control

Decades of research and real-world case studies show that rent regulation devastates rental housing and harms affordability. Rent regulation will not add a single new unit of housing. In fact, it has the opposite effect. Rent controls distort the housing market by deterring or discouraging the development of rental housing and investment in maintenance and rehabilitation, further damaging the communities they are attempting to serve.

With little to no ability to gain a return on investment, developers and investors will shift their investments to other non-rent regulated jurisdictions—the NMHC/NAHB cost of regulations report indicated 88 percent of respondents would avoid development in jurisdictions with rent control.¹¹

A study conducted by ndp | analytics on behalf of NAA from December 2022 to February 2023 reveals significant adverse effects of rent control on housing providers and developers in markets with rent control policies. Interviews with entities ranging from large firms to small mom-and-pop businesses indicate that over 70 percent have been compelled to alter their investment strategies, including decreased investments, relocation of development plans, or complete withdrawal, due to such policies.

Critical investment in housing drops as developers leave when rent control is instituted, thinning the rental market and decreasing housing options for renters. The experience in St. Paul, Minnesota illustrates this. After their 3 percent rent cap passed in 2021, the city saw a 30 percent decline in housing starts, forcing them to amend their rent control policy. Rents in St. Paul have continued to increase due to more constraints on housing supply, neighboring Minneapolis, which has not implemented rent controls, has increased supply and decreased rent growth. Rent control drives away investments and reduces potential tax revenue contributed by rental housing providers.

While the notion of rent control policies may appear as an appealing solution to housing affordability concerns, it is critical to acknowledge their potentially counterproductive and damaging consequences. Rent control has been proven to negatively impact renters, housing providers and even entire communities. This research shows that rent control policies can inadvertently lead to reduced housing supply, lower property values and decreased quality of available properties.¹²

This is why NAA, NMHC and 17 other national organizations representing real estate, renters and other constituencies recently [sent a letter](#) to Director Sandra Thompson

¹¹ https://www.nmhc.org/research-insight/research-report/nmhc-nahb-cost-of-regulations-report/?utm_medium=email&utm_source=apartmentwire&utm_campaign=nmhc_news

¹² <https://www.naahq.org/examining-unintended-consequences-rent-control-policies-cities-across-america>

urging FHFA to reject imposing rent regulation as a condition of Enterprise-backed financing. NAA and NMHC encourage lawmakers to promote proven alternatives to rent control that address the critical affordable housing shortage, making rents more affordable to lower-income residents and encouraging development of new housing at a variety of rental levels.

3. Resist Efforts to Broadly Classify Fees as “Junk”

Two weeks ago, the Federal Trade Commission issued a proposed rule related to “junk fees” that may add even more complexity to the provision of rental housing by creating opaque new requirements under the broad umbrella of its Unfair Deceptive and Abusive Practices (UDAP) authority. Fees that are assessed in rental housing are not “junk fees,” nor hidden or misleading, but instead cover operational costs. Such fees also allow property owners to offer more services and amenities for a disclosed price, thereby allowing consumers to make choices that fit their needs. The Secretary of HUD also sent a [letter](#) targeting certain fees, such as application fees, without considering the legitimate business purpose they serve.

Additionally, fees assessed for resident screening serve as a critical part of property management and operations. Further, resident screening is often required by the federal government by way of HUD and other government supported housing communities.

It allows housing providers to evaluate whether a potential resident is capable of and likely to fully comply with the terms of their lease and helps to identify and counter increasing fraud in rental applications, thereby preventing evictions. There are costs associated with screening that must be covered in some way.

As they consider changes to consumer protection laws, policymakers must ensure a vibrant marketplace can flourish, one that creates housing opportunities and preserves housing options for consumers. We encourage them to study the utility of fees in the housing market in a meaningful way, rather than labeling actions that cover valid operational and management expenses as “junk fees.”¹³

4. Return the Eviction Process back to States and Localities

Backlogs in eviction courts are stretching from weeks or months to years in some jurisdictions. This is causing housing providers to delay needed maintenance and ultimately hurts the nation’s renters. For NAA and NMHC members, their businesses always do better when units are occupied and when they can fully meet their obligations to their residents, employees, investors/creditors and the communities that they serve.

¹³ For more information, see the NMHC- NAA joint statement on rental fees for a recent Senate Banking and Urban Affairs Committee hearing entitled, “Taking Account of Fees and Tactics Impacting Americans’ Wallets.”

Throughout the pandemic, NAA and NMHC members have worked to both help our residents resolve their hardships and to advance policies to provide renters with essential resources to meet their housing needs. Now that Congress and the President have terminated the federal COVID-19 public health emergency, we urge Congress to end the CARES Act 30-day notice-to-vacate by passing the bipartisan Respect State Housing Laws Act (H.R. 802), returning eviction policies back to the state and local level.

5. Act to Stabilize Soaring Insurance Costs

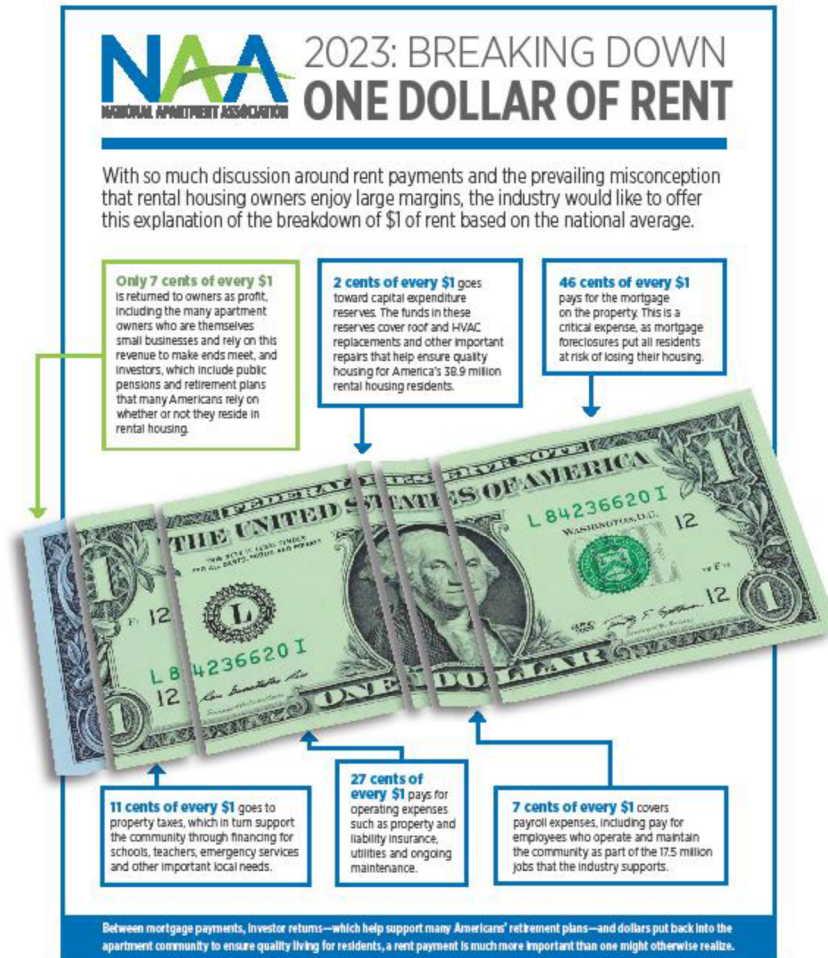
Congress must take action to stabilize the insurance market and prevent growing exposure to taxpayers in the wake of unrelenting natural disasters. This will require partnership between policymakers and private sector stakeholders from real estate and insurance to advance solutions that improve climate resilience and sustainability and allow for properly functioning insurance and reinsurance markets to protect our nation's rental housing stock and the broader economy.

The Path Forward

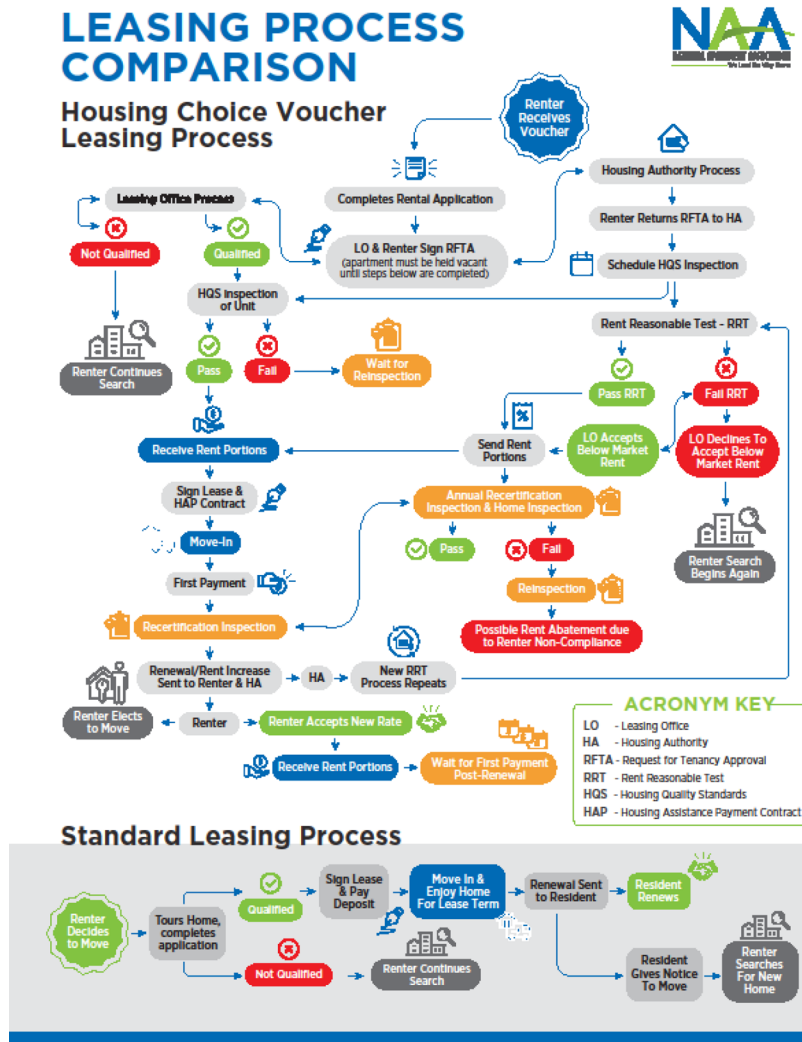
Given the multitude of factors that contribute to the state of the housing market, NAA and NMHC are advocating for a multi-faceted approach to support the health and stability of the rental housing sector. Ensuring an adequate supply of quality housing is critical to continued economic prosperity and household stability for Americans nationwide. Federal policymakers should focus on helping to provide funding and supporting liquidity in the housing market, while avoiding imposing additional regulatory schemes that are already addressed at the state and local level will ultimately cost consumers.

On behalf of the multifamily industry and the nearly 40 million Americans we serve, we look forward to continuing to work with policymakers on balanced, sustainable and innovative policies to support the housing market. Thank you for the opportunity to testify before you today.

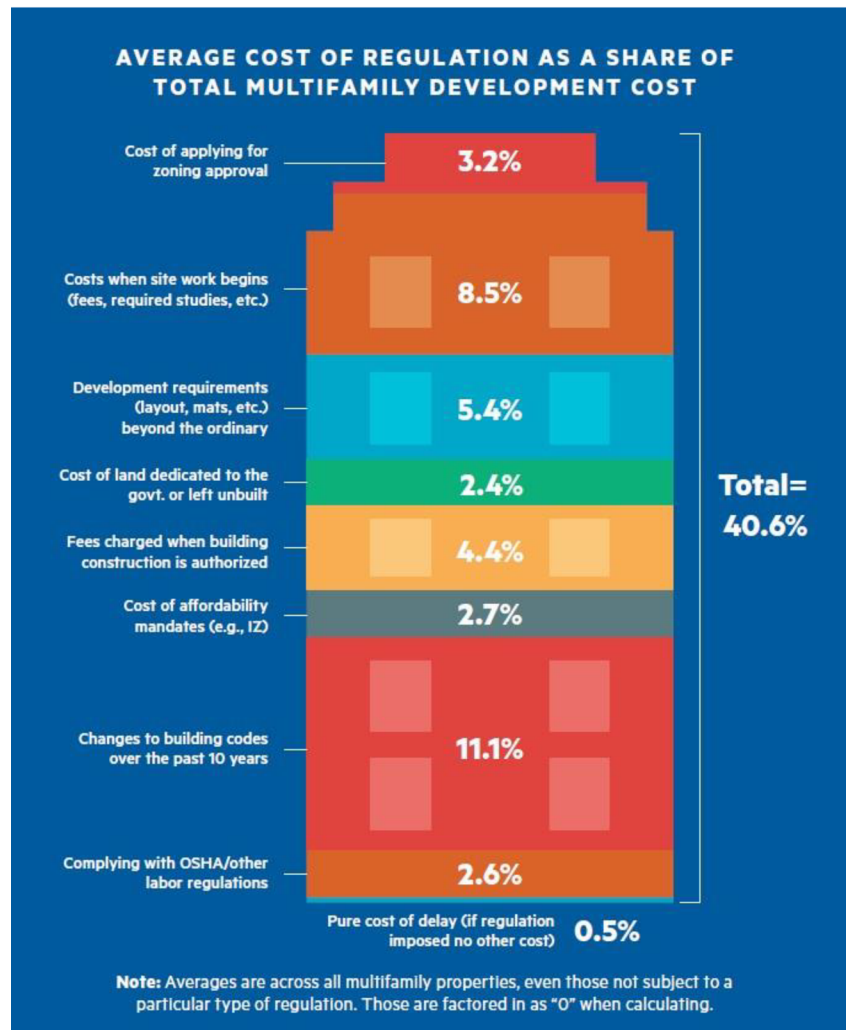
Attachment A: Breaking Down One Dollar of Rent



Attachment B: Leasing Process Comparison



Attachment C: Cost of Regulation





Testimony of Diane Yentel

President and CEO of the National Low Income Housing Coalition
 Before the House Financial Services Committee
 Subcommittee on Housing and Insurance
 "Housing Affordability: Governmental Barriers and Market-Based Solutions"
 December 6, 2023

Chairman Davidson, Ranking Member Cleaver, and members of the Committee, thank you for the opportunity to testify before this committee on housing affordability challenges and solutions.

The National Low Income Housing Coalition (NLIHC) is dedicated to achieving racially and socially equitable public policy that ensures people with the lowest incomes have quality homes that are accessible and affordable in communities of their choice. NLIHC's members include residents of public and assisted housing, people experiencing homelessness and other low-income people in need of affordable homes, housing providers, homeless services providers, fair housing organizations, state and local housing coalitions, public housing agencies, faith-based organizations, concerned citizens, and others. While our members include a spectrum of housing interests, we do not represent any one segment of the housing field. Rather, NLIHC works on behalf of and with low-income people who receive or need federal housing assistance, especially people with extremely low incomes and people who are homeless.

Across the nation, America's lowest-income renters face a severe shortage of affordable and available homes and a significant gap between incomes and housing costs. There is a national shortage of 7.3 million homes that are affordable and available to America's lowest-income renters – those earning less than either the federal poverty rate or 30% of their area median income (AMI). The severe shortage of affordable and available homes for extremely low-income renters is a structural feature of the country's housing system, consistently impacting every state and nearly every community.¹

Housing costs are out of reach for too many of the lowest-income renters.² Rents are far higher than what the lowest-income and most marginalized renters, including seniors, people with disabilities, and working families, can spend on housing. Despite the clear and urgent need, Congress only provides housing assistance to one in four eligible households.³

Without affordable housing options, more than 10 million extremely low-income and very low-income renter households, disproportionately people of color, pay at least half their income on rent, leaving them without the resources they need to put food on the table, purchase needed medications, or otherwise make ends meet.⁴ Paying so much of their limited income on rent leaves the lowest-income families always one financial shock – an emergency or unexpected expense – from facing eviction and, in the worst cases, homelessness. On any given night, more than half a million people experience homelessness, and millions more are at risk.⁵

During the COVID-19 pandemic, federal, state, and local lawmakers responded to the growing threat of housing insecurity by providing unprecedented resources and protections to keep renters housed, including \$46.6 billion in emergency rental assistance (ERA) and a national moratorium on evictions for nonpayment of rent. These protections and resources cut evictions in half,⁶ lowered eviction filing rates to the lowest on record,⁷ and kept millions of people who otherwise would have lost their homes during the pandemic stably housed.⁸

Just as these emergency resources were depleted and pandemic-era renter protections expired, however, renters reentered a brutal housing market, with skyrocketing rents and high inflation. Eviction filing rates have now reached or surpassed pre-pandemic averages in many communities, resulting in increased homelessness.⁹

Even with a recent stabilization of rental prices, the rapid inflation we saw during 2021 and the first half of 2022 has done significant damage to affordability, especially for the lowest-income renters. The median rent of new leases in November 2023 was 22% higher than at the beginning of 2021.¹⁰ Historically, rent inflation tends to be even higher for lower-priced units.¹¹

The housing crisis existed before the pandemic, was exacerbated by its disruptions, and will continue to persist after COVID-19 resources are depleted. For this reason, Congress must increase investments in long-term solutions to the persistent underlying shortage of affordable, accessible homes in the United States and improve renter protections for the lowest-income people. Congress should make rental assistance universally available to all eligible households in need; preserve and expand the supply of homes affordable to people with the lowest incomes; provide resources to prevent evictions and homelessness; and strengthen and enforce renter protections. These solutions must be paired with reforms to break down barriers that prevent access to critical resources and that deepen racial disparities.

The 118th Congress can advance these long-term solutions through bipartisan legislation, the fiscal year (FY) 2024 appropriations process, an end-of-year tax package, and other critical pieces of legislation. NLIHC is committed to working with Democrats and Republicans to advance solutions to America's affordable housing crisis. Immediate bipartisan opportunities to advance housing access include increasing housing stability and economic mobility among low-income families; investing in cost-effective eviction prevention tools; improving and streamlining existing housing programs; cutting red tape to build housing for people with the lowest incomes; improving oversight of federal disaster resources; expanding and reforming affordable housing development programs; and providing better access to fair and affordable housing, among others.

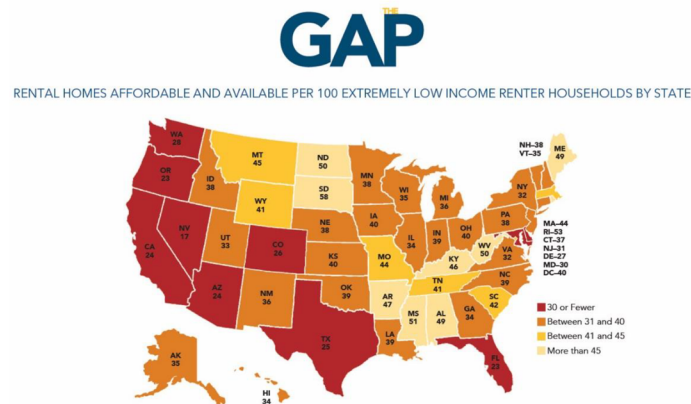
As Congress considers spending priorities, it should ensure full funding for vital federal affordable housing and homeless assistance programs. Without these resources, millions of the lowest-income and most marginalized households will continue to experience homelessness or remain at risk, paying more than half their limited income on rent. Congress should work quickly to enact final spending bills that provide the highest level of investment possible for federal housing and homelessness programs through the annual appropriations process.

As Congress works towards these long-term solutions, the Biden administration must continue to take action to strengthen and enforce tenant protections and incentivize or require communities to reduce restrictive local zoning practices that inhibit the supply of rental housing.

Underlying Causes of the Housing Crisis

Shortage of Affordable Housing for the Lowest-Income Renters

An underlying cause of America's housing crisis is the severe shortage of rental homes affordable and available to people with the lowest incomes. Nationwide, there is a shortage of 7.3 million homes affordable and available to extremely low-income renters, whose household incomes are at or below either the poverty guideline or 30% of their area median income (whichever is greater). For every 10 of the lowest-income renter households, there are fewer than four homes affordable and available to them.¹²



The shortage of affordable and available homes for the lowest-income renters ranges from most severe to least severe, but there is no state or congressional district with enough affordable homes for its lowest-income renters. For example, in both Chair Davidson and Ranking Member Cleaver's districts, there are fewer than four affordable homes for every 10 of the lowest-income renter households.¹³

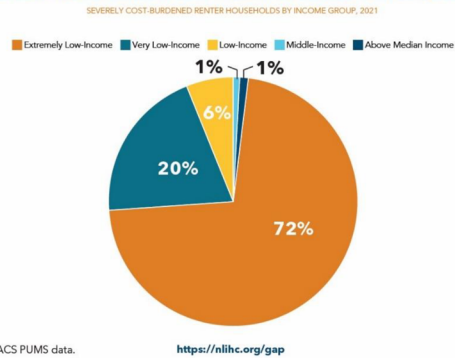
Systemic racism, past and present, has led to significant racial disparities in both renter demographics and outcomes experienced by renters, such as cost burdens, evictions, and homelessness. While the housing market is often characterized as neutral, ongoing injustices and discriminatory practices persist to this day. The unaffordability of the rental market disproportionately harms Black and Latino households because they are more likely at all income levels to be renters: 27% of white households are renters, compared to 57% of Black households and 52% of Latino households.¹⁴

Moreover, renters of color are much more likely than white households to be extremely low-income renters. Nineteen percent of Black households, 17% of American Indian or Alaska Native (AIAN) households, 14% of Latino households, and 9% of Asian households are extremely low-income renters, compared to 6% of white non-Latino households. Renters of color are also more likely to experience housing cost burdens than white, non-Latino renters. Forty-four percent of white renters are cost-burdened, while 52% of Latino renters and 55% of

Black, non-Latino renters are cost-burdened. Nearly one-third of Black, non-Latino renters and 28% of Latino renters are severely cost-burdened, compared to 23% of white, non-Latino renters.¹⁵

Nationwide, more than 10 million extremely low-income and very low-income renters pay at least half their income on rent, leaving them without the resources they need to make ends meet. Housing cost burdens are concentrated among the lowest-income renters. Of the 11.3 million severely cost burdened renter households, 8.1 million (72%) have extremely low incomes and 2.3 million (20%) have very low incomes.¹⁶ Research indicates that the lowest-income households spend significantly less on other necessities – such as food, clothing, transportation, and healthcare – when they are forced to spend more than half their income on rent and utilities.¹⁷

EXTREMELY LOW-INCOME RENTERS MAKE UP MAJORITY OF SEVERELY COST-BURDENED RENTERS

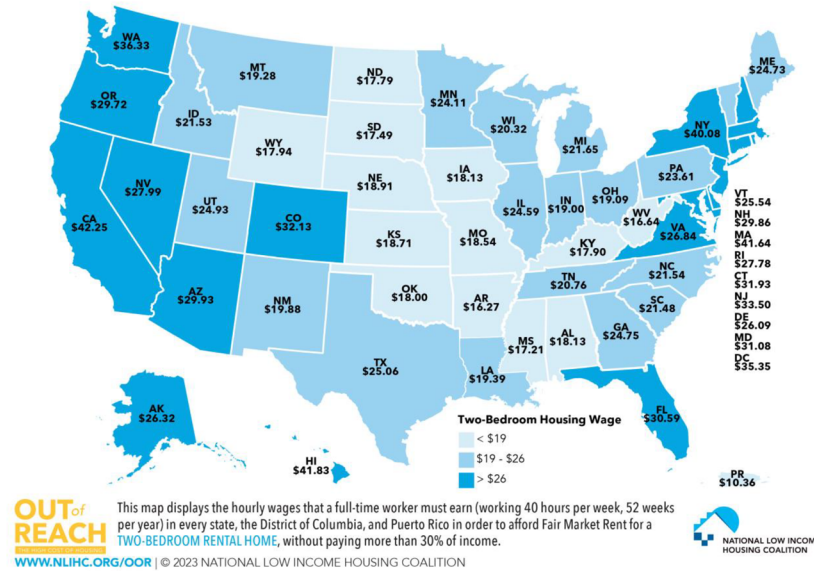


Making matters worse, the existing affordable housing stock is often in poor condition, due to decades of underfunding by the federal government, or with affordability requirements set to expire soon.¹⁸ Based on past trends, more than 176,000 federally assisted rental homes with affordability restrictions that expire over the next five years could be lost from the affordable housing stock if preservation efforts are not expanded. The failure to preserve federally subsidized housing can lead to unaffordable rents, a loss of habitability, and evictions for current tenants. Given the current shortage of affordable homes and chronic underfunding for federal programs, preventing the loss of the already limited supply is essential.

The Gap between Incomes and Housing Costs

A major cause of housing instability is housing costs outpacing income gains. NLIHC's *Out of Reach: The High Cost of Housing* annual report estimates each locality's "Housing Wage" – the hourly wage a full-time worker must earn to afford a modest apartment without spending more than 30% of their income on housing.¹⁹ In 2023, the national Housing Wage is \$28.58 per hour for a modest two-bedroom rental home and \$23.67 per hour for a modest one-bedroom rental home.

2023 TWO-BEDROOM RENTAL HOUSING WAGES



Thirteen of the nation's 20 most common occupations pay a lower median hourly wage than the wage a full-time worker needs to earn to afford a modest two-bedroom apartment at the national average fair market rent. Ten of these occupations, which account for more than 49 million workers, pay median wages less than the wage a full-time worker needs to earn to afford a modest one-bedroom apartment. Over 25 million people work in the five lowest-paying occupations – retail sales, food and beverage services, food preparation, home health and personal care services, and building cleaning. Workers in these occupations earn median wages that fall more than \$7.80 short of what a full-time worker needs to afford a one-bedroom apartment.²⁰

Lack of Federal Resources

The shortage of rental homes affordable to the lowest-income people is caused by market failures and the chronic underfunding of solutions. Government intervention, in the form of subsidies, is necessary to fill the gap between what the lowest-income people can afford to pay and the costs of developing and operating rental homes. Congress has consistently underfunded housing subsidies such that only one in four households eligible for housing assistance receives any.²¹ Millions of families are placed on waitlists for housing assistance, many of them facing homelessness or overcrowding while they wait.²²

Without public subsidies, the private market rarely produces new rental housing affordable to households with the lowest incomes. New private market development can result in a chain of moves that benefit moderate and lower-income households through filtering. However, filtering on its own fails to provide an adequate supply of housing for extremely low-income renters. Even when a property's share of occupants with low incomes increases with building age, the tenants are typically housing cost-burdened.²³ Often, the operating cost of maintaining older housing is more than what the lowest-income renters can afford to pay in rent. The average monthly operating cost for rental units was \$520 in 2019, but the average extremely low-income household could afford only \$283 per month.²⁴ Owners in weak markets are therefore often incentivized either to stop operating the housing as rental property or redevelop the property to rent at higher rates. Thus, federal solutions are necessary to address the shortage of affordable housing for renters with the lowest incomes.

Congress has also divested from public housing for decades, resulting in over \$70 billion in unmet capital backlog needs.²⁵ As a result, our nation loses 10,000 to 15,000 units of public housing every year to obsolescence or decay, while other units fall into deep disrepair. This leaves public housing residents routinely exposed to hazardous and unhealthy living conditions, including lead, carbon monoxide, mold, asbestos, radon, and pests.²⁶

Current State of the Housing Market

COVID-19 Pandemic Housing Resources

In response to the urgent housing needs of renters impacted by the pandemic, the Trump administration implemented (and Congress and the Biden administration extended) a national eviction moratorium, and Congress allocated \$46.6 billion in Emergency Rental Assistance (ERA) to states and localities to keep renters stably housed. Research conducted on the efficacy of local, state, and federal eviction moratoriums provides evidence that such moratoriums were effective at reducing COVID-19 transmission and fatalities as well as eviction filings.^{27,28} Similarly, ERA helped keep millions of renter households stably housed over the course of the pandemic. State and local grantees have so far disbursed more than \$39 billion for rental assistance and other housing services to renters facing housing instability.²⁹ The ERA program has made nearly 12 million payments, mostly to very low- and extremely low-income renters.³⁰

While ERA has helped stabilize millions of households, the program was designed to provide only short-term financial assistance during the pandemic and cannot address the long-standing gaps in our housing safety net, including the lack of federal renter protections. State and local ERA programs have now run out of funding, and the last eviction protections have expired, just as rents and other costs have increased across the country, reducing housing affordability for people with the lowest incomes. Evictions have increased, with eviction filing rates in some cities reaching or surpassing their pre-pandemic levels.³¹ As a result, homelessness has worsened in many communities across the country.

High Rents and Increased Housing Instability and Homelessness

Rising rental prices are associated with an increase in homelessness. A study by the Government Accountability Office (GAO) found that changes in median rental prices and homelessness rate estimates were statistically significantly related. A \$100 increase in median

monthly rental price was associated with an approximately 9% increase in the estimated homelessness rate in that community, even after accounting for other relevant factors.³² In 2021 and 2022, renters experienced a nearly \$200 median monthly increase.

ANNUAL CHANGE IN FIRST QUARTER MEDIAN RENTAL PRICES



Recent rent increases were driven by several factors, including a growing demand for rental housing and limited supply. Between 2020 and 2022, 1.9 million renters entered the rental market. Many households entering the market were higher-income renters who may have been priced out of the increasingly competitive home-buying market. Rising mortgage interest rates have squeezed many would-be homebuyers out of the housing market, pushing up rental prices and forcing the lowest-income renters into more unstable housing. The rent increases can also be attributed to a largely unregulated rental market that permits landlords to raise rents as high as the market will allow, without regard to the impact on tenants with low incomes.

In some markets, the supply of rental housing is beginning to catch up to demand, and inflation has cooled. However, even with the recent stabilization of rental prices, the rapid inflation during 2021 and the first half of 2022 has done significant damage to affordability, especially for the lowest-income renters.

Homelessness is a lagging indicator of housing market affordability. As America's rental housing affordability crisis grows even more severe, more and more people are pushed into homelessness each year. Despite successful efforts to house individuals experiencing homelessness using the Housing First approach, particularly veterans, homeless systems cannot keep up with the increased inflow due to the intensifying affordable housing crisis. For example, in Los Angeles County, more than 207 homeless individuals are rehoused each day, but 227 different individuals are pushed out of housing and into homelessness daily.³³

To end homelessness, Congress must provide the significant, long-term investments needed to address its underlying causes. Without these investments, more people will continue to experience homelessness or remain at risk. This is particularly true for the lowest-income

households with children, older adults, and people with disabilities, who are increasingly represented among those falling into homelessness.

Investor Purchases

Rising rental prices are also impacted by purchases of single-family and multi-family properties by real estate investors. Despite a significant drop in investor purchases since the middle of 2022, they continue to represent a sizable share of sales. In the first half of 2023, investors purchased more than 90,000 homes.³⁴ Increased institutional investor ownership in the rental market can have negative impacts on renters and has been associated with decreased affordability, increased fees, lack of upkeep, higher rates of eviction, and worsening displacement, particularly in Black neighborhoods.³⁵ Limited affordable options for renters with low incomes, coupled with a lack of federal tenant protections, allows some corporate landlords to engage in abusive practices in pursuit of profit.³⁶

Ownership of multifamily buildings is becoming more consolidated in the hands of corporate landlords, with the number of apartment units owned by the largest 50 companies increasing from under 2 million in 2017 to 2.5 million in 2022.³⁷ These 2.5 million units represent approximately one-tenth of the country's multi-family apartment stock.³⁸ Moreover, this is likely an underestimate because two of the largest firms – Blackstone and Lone Star Funds – do not participate in the survey that collects these data. Investor purchases have historically been made in low-cost Black and brown neighborhoods, and this trend continued during the pandemic.³⁹

Investors' accumulation of subsidized properties could further threaten housing affordability in the future. Two large investors – Blackstone and Starwood Capital – now own more than 138,000 federally subsidized units, including many units backed by the Low-Income Housing Tax Credit (LIHTC).⁴⁰ Given the time-limited affordability period of LIHTC properties and the stated strategy of investors to purchase below market rental properties and later increase their prices, it is unlikely that these apartments will remain affordable.

The accumulation of rental properties in the hands of larger investors could threaten affordability in other ways as well. Many larger investors rely on rent-setting software to determine rents, for example, yet the nation's top provider of rent-setting software, RealPage, is under investigation by the Department of Justice for alleged collusion with landlords to inflate rents.⁴¹ Legal experts have raised concerns that RealPage uses private rental data to encourage landlords to increase profits by raising rent prices even if it results in a lower occupancy rate, thereby reducing the supply of affordable housing.⁴² If the allegations are true, the impact on rent prices and housing instability could be significant, given that many of our nation's largest housing providers use RealPage to set prices.

In addition to raising rents, corporate landlords have been shown to use additional fees to generate profit. Data collected by the House Financial Services Committee (HFSC) found that surveyed institutional investors increased lease fees 40% over the survey period, from an average of \$147 per lease per year in 2018 to an average of \$205 in 2021.⁴³ Some investors may use this strategy more than others. While lease fees for several of the companies surveyed remained steady over the four-year period, average annual lease fees for Invitation Homes' properties increased from \$201 in 2018 to \$449 in 2021.⁴⁴ Investors have acknowledged that fee collection is part of their revenue generation strategy. Tricon, whose profits increased from \$113 million to \$517 million between 2020 and 2021, noted that this significant increase in

profits was due in part to fees and other costs and upkeep responsibilities that were transferred to tenants.⁴⁵

Research suggests that corporate landlords are more likely to file for eviction than small landlords. A study of single-family rentals in Atlanta found that corporate owners were 8% more likely than small landlords to file for eviction, even after controlling for neighborhood characteristics.⁴⁶ The study also found that some institutional investors are far more likely to pursue evictions than others. One institutional investor filed evictions against one-third of its tenants, while two other institutional investors filed evictions against one-quarter of their tenants.

Large landlords are also more likely to be serial eviction filers, filing for evictions repeatedly when households fall behind on their rents.⁴⁷ Serial eviction filings can significantly increase housing costs for renters beyond their monthly rent payments since filings often result in late fees and court fines.⁴⁸ One estimate found that each eviction filing results in a 20% monthly increase in housing costs.⁴⁹ Moreover, eviction filings can make it more difficult for renters to find other landlords willing to rent to them, pushing households deeper into poverty.

Institutional investors' practices have a disproportionate impact on Black communities. Data collected by the HFSC indicate single-family rental investors purchase properties in ZIP codes whose populations are on average 40% Black, which is more than three times the Black population in the U.S.⁵⁰ Research on investor purchases in southeastern cities during the COVID-19 pandemic also found that purchases were concentrated in Black and Latino neighborhoods.⁵¹ The higher rates of investor purchases in Black neighborhoods have resulted in the displacement of residents. Statistical models estimate that on average, neighborhoods in Atlanta with an investor-purchased property had 166 fewer Black residents and 109 additional white residents as a result, compared to nearby neighborhoods without an investor-purchased property.⁵²

Institutional investors wield significant political power and have used this power to advocate against renter protections. Five prominent rental home investment companies – American Homes 4 Rent, FirstKey Homes, Invitation Homes, Progress Residential, and Tricon Residential – have formed the National Rental Home Council, a trade association that advocates against state rent regulation policies. In 2018, Invitation Homes and Blackstone spent \$1 million and \$6 million, respectively, opposing a ballot initiative that would have allowed rent regulation in California cities.^{53,54} Institutional investors also lobbied to reverse the federal eviction moratorium during the COVID-19 pandemic, with some of these owners continuing to evict tenants unscrupulously and unlawfully during the protected period.^{55,56}

Lack of Federal Tenant Protections

The lack of renter protections in the housing market contributes to a power imbalance between renters and landlords that puts renters at greater risk of housing instability, harassment, and homelessness, while also fueling racial inequity. Despite the common characterization of the housing market as being neutral, evidence shows that racial discrimination in the housing market persists. While overt discrimination was outlawed by the "Fair Housing Act of 1968," covert forms of housing discrimination continue to disproportionately harm people of color. Broad and robust tenant protections – including laws ensuring legal representation in eviction court and prohibiting source-of-income discrimination, as well as "just cause" eviction laws – are needed to rebalance a power dynamic that currently tilts heavily in favor of landlords at the expense of low-income and marginalized tenants.

In many states, there are no federal protections against arbitrary, retaliatory, or discriminatory evictions, or other abusive practices by landlords. Many low-income tenants who use housing subsidies such as housing vouchers, emergency rental assistance, and other forms of public assistance struggle to find or maintain safe, quality, affordable housing due to source-of-income discrimination – the practice of denying an individual full and equal access to housing based on their lawful source of income. Discrimination by landlords against renters can prevent households from effectively using federal, state, or local rental assistance and often provides a pretext for illegal discrimination against renters of color, women, and people with disabilities.⁵⁷

In most states and localities across the country, landlords are not required to provide a reason for evicting a tenant at the end of the lease term or for evicting a tenant without a lease. Landlords who are unable to evict a tenant during their lease term may choose not to renew the tenant's lease and use the lease holdover as grounds for eviction. A tenant at the end of their lease is also at risk of unreasonable rental increases.⁵⁸ When a tenant receives an eviction notice, faces rent hikes, or fears displacement, they may choose to leave their unit – or “self-evict” – rather than go to court. Those who pursue legal action often find that no laws exist to protect them from eviction at the end of a lease term and that having an eviction judgment on their record creates further barriers to obtaining and maintaining future housing.⁵⁹

Despite the broad and lasting consequences of evictions, only 10% of renters in eviction court receive legal representation, compared to 90% of landlords.⁶⁰ When tenants have legal representation during the eviction process, they are more likely to avoid eviction and remain in their homes.⁶¹

Long-Term Solutions to the Housing Crisis

A stronger housing safety net is needed to prevent evictions and homelessness and to reduce housing instability among the lowest-income renters. Addressing the root causes of the housing affordability crisis requires a sustained commitment to bridging the gap between incomes and rent through universal rental assistance, investing in new affordable housing and preserving affordable rental homes that already exist for America's lowest-income and most marginalized renters, providing emergency assistance to stabilize renters when they experience financial shocks, and establishing and enforcing strong renter protections.

Bridge the Gap between Incomes and Housing Costs with Rental Assistance

To bridge the gap between incomes and housing costs, Congress should expand rental assistance, making it universally available to all eligible households in need. Making rental assistance available to all eligible households is central to any successful strategy for solving the housing crisis. Rental assistance is a critical tool for helping the lowest-income people afford decent, stable, accessible housing and has a proven record of reducing homelessness and housing poverty.⁶² A growing body of research finds that rental assistance can improve health and educational outcomes, increase children's chances of long-term success, and advance racial equity.⁶³

In many communities across the country, there is a sufficient supply of housing, but the available homes are not affordable to the lowest-income renters. Expanding rental assistance is critical to helping extremely low-income renters afford safe, stable, accessible housing in the communities of their choice.

Expand and Preserve the Supply of Affordable Rental Homes

Addressing the shortage of affordable and available housing for the lowest-income households requires both preserving the existing affordable housing stock and increasing the supply of affordable housing.

Congress must provide robust resources to preserve the roughly 900,000 public housing units that are currently home to more than 2 million residents, the majority of whom are people of color. Public housing is critical to ensuring people with the greatest needs have an affordable and accessible place to call home, and the preservation of this community asset is key to any strategy to address America's housing crisis.

To increase the supply of deeply affordable and accessible housing, Congress should expand funding for the national Housing Trust Fund (HTF) to at least \$40 billion annually. The HTF is the only federal housing program exclusively focused on serving households with the lowest incomes and most acute housing needs.

In addition, the federal government should incentivize or require state and local governments that receive federal transportation and infrastructure funding to eliminate restrictive zoning rules that increase the cost of development, limit housing supply for all renters, and reinforce segregation and structural racism in housing and other systems.

Provide Emergency Rental Assistance to Stabilize Families and Prevent Evictions

Permanent solutions are needed to combat the evictions and homelessness that can occur when low-income renters experience income loss or unexpected financial shocks. Congress should build on the lessons learned and successes of the Department of the Treasury's ERA program by enacting a permanent program to help stabilize families before they face eviction, displacement, and, in the worst cases, homelessness. Providing temporary assistance for households would help prevent the many negative consequences associated with evictions and homelessness, including physical and mental health challenges, loss of possessions, instability for children, and increased difficulty finding a new home.⁶⁴

Strengthen and Enforce Renter Protections

During the pandemic, state and local jurisdictions across the country recognized the crucial role tenant protections play in preventing evictions and ensuring housing stability for the most marginalized households. Since 2021 alone, states and localities have passed or implemented more than 200 new laws or policies to protect tenants from eviction and keep them stably housed.⁶⁵ Jurisdictions passed numerous short-term protections to support renters during the pandemic, including eviction moratoriums, pauses on evictions while ERA applications were under review, and measures to coordinate the eviction process with ERA. State and local governments also enacted long-term protections, such as right-to-counsel legislation, source-of-income discrimination laws, appropriations for legal defense, and eviction record sealing legislation.⁶⁶

To ensure the safety and just treatment of renter households across all jurisdictions, Congress should enact similar legislation to establish vital national protections for renters. Such protections should include source-of-income laws to prevent landlords from discriminating against voucher holders, "just cause" eviction standards, guaranteed access to legal counsel to

put renters on more equal footing with landlords, eviction record sealing and expungement requirements, and limits on excessive rent increases.

Immediate Congressional Actions Needed

FY24 Housing Investments

Congress must work quickly to enact a final fiscal year (FY) 2024 spending bill that fully funds affordable housing and homelessness programs. The current Continuing Resolution (CR) extends funding to January 19 for HUD programs. Congress has until then either to pass a final spending bill, extend the CR, or risk a government shutdown.

Thanks to the hard work of advocates around the country and champions in Congress, both the House and Senate spending bills provide funding increases above FY23-enacted levels. Yet despite these increased investments, neither bill provides sufficient funding to renew all existing Housing Choice Vouchers due to the dramatic increase in the cost of rent in communities nationwide.⁶⁷ If enacted, the House bill would result in approximately 40,000 fewer vouchers being renewed, while the Senate bill would result in an estimated 6,000 vouchers being lost. Without additional resources, fewer households would receive the assistance they need to afford a home.

Failure to reach an agreement increases the risk of a full-year CR. Under an agreement made between President Biden and congressional leaders, a full-year CR would automatically cut domestic funding by 1% below FY23-enacted levels, harming federal housing and homelessness programs and the millions of households who rely on these resources. Because the cost of housing rises every year, enacting a full-year CR effectively leaves HUD's affordable housing and homelessness programs without the resources they need to maintain the current level of service. In FY24, because of rising housing costs and decreased offsets from the Federal Housing Administration (FHA), HUD needs more than \$13 billion in additional funding to serve the same number of households.

End-of-Year Tax Legislation

Congressional leaders are discussing the opportunity for an end-of-year tax package. If Congress includes resources in a tax package to expand the Low-Income Housing Tax Credit (LIHTC), it must pair this expansion with needed reforms to ensure that LIHTC can better serve extremely low-income households who are most at risk of homelessness and households in rural and tribal communities. These reforms are included in the bipartisan "Affordable Housing Credit Improvement Act" (AHCIA) (S. 1557, H.R. 3238), introduced by Senators Maria Cantwell, Todd Young (R-IN), Ron Wyden (D-OR), and Marsha Blackburn (R-TN), along with Representatives Darin LaHood (R-IL), Suzan DelBene (D-WA), Brad Wenstrup (R-OH), Don Beyer (D-VA), Claudia Tenney (R-NY), and Jimmy Panetta (D-CA).

LIHTC is the primary source of financing for the construction and preservation of affordable housing. While an important resource, LIHTC is rarely sufficient on its own to build or preserve homes affordable to households with the lowest incomes. The majority (58%) of extremely low-income renters living in LIHTC developments who do not also receive rental assistance are severely cost-burdened, paying more than half their incomes on rent.

It is vitally important that Congress enact bipartisan reforms to expand the basis boost for housing developments financed with LIHTC in which at least 20% of units are set aside for

households with extremely low incomes. This reform would allow LIHTC to be used to better target the lowest-income renters by making it possible to offer rents that are affordable to them and to facilitate the development of more affordable housing for populations with special needs, such as formerly homeless individuals and people with disabilities.

Congress should also advance bipartisan reforms to LIHTC to better serve rural and tribal communities, which experience higher poverty rates and lower incomes and often lack access to affordable capital. Tribal nations have the most severe housing needs in the United States, with high rates of overcrowding, unreliable plumbing and heat infrastructure, and unique development issues. By designating rural and tribal communities as "Difficult to Develop," as proposed by the bipartisan AHCI, Congress would make housing developments in these areas automatically eligible for a 30% basis boost to ensure greater financial feasibility.

Critical Long-Term Housing Investments

To fully address the housing and homelessness crisis in America, Congress must enact the large-scale, sustained investments and reforms necessary to ensure that renters with the lowest incomes have an affordable place to call home. More than ever, bold policies are needed to ensure that people with the lowest incomes and the most marginalized people have a stable, affordable home. Congress should advance legislation to invest in proven solutions at the scale needed.

Ensuring Access to Affordable Housing for Those with the Greatest Needs with the "Ending Homelessness Act"

Congress should enact the "Ending Homelessness Act" (H.R.4232), as introduced by Representative Maxine Waters (D-WA) and others to ensure universal rental assistance for America's lowest-income and most marginalized households. Currently, only one in four eligible households receive federal rental assistance because of chronic underfunding by Congress. This bold legislation would scale up the successful Housing Choice Voucher program to ensure housing stability for all eligible households by transforming the program into a federal entitlement, phased in over 8 years. In doing so, the bill will fully bridge the gap between incomes and housing costs, ensuring more of the lowest-income households can afford a place to call home and dramatically reducing the risk of homelessness.

The bill also prohibits landlords from discriminating against renters based on source of income and veteran status, and it invests \$10 billion in funding over 5 years for the national Housing Trust Fund and other key programs to fund the creation of permanent affordable housing for people experiencing homelessness.

Expanding Investments in Affordable Housing Supply with the "Housing Crisis Response Act"

Congress should enact the "Housing Crisis Response Act of 2023" (H.R.4233) introduced by Representative Maxine Waters (D-CA) and others to provide more than \$150 billion in critical investments to help low-income renters afford rent, support public housing, create and preserve affordable and accessible housing, improve equitable planning and development processes that affirmatively further fair housing, and expand homeownership opportunities. The bill includes the housing investments enacted by the House of Representatives in the Build Back Better Act.

In addition to providing \$25 billion to expand rental assistance to nearly 300,000 households struggling to pay rent, the bill would invest \$65 billion to repair the nation's public housing and \$15 billion in the national Housing Trust Fund to build and operate rental homes affordable to households with the lowest incomes and the greatest, clearest needs. Altogether, the bill's investments result in the creation of nearly 1.4 million affordable and accessible homes, help 294,000 households afford their rent.

Other Bipartisan Legislative Opportunities in the 118th Congress

Numerous opportunities are available in the remainder of the 118th Congress to advance bipartisan legislation to help address homelessness and housing poverty. NLHC urges Congress to advance and pass these and other important bills as soon as possible.

Increasing Economic Mobility with the “Family Stability and Opportunity Vouchers Act”

Congress should enact the “Family Stability and Opportunity Vouchers Act” (S.1257, H.R.3776) to connect low-income families with economic and educational opportunities. The bipartisan bill, re-introduced by Senators Chris Van Hollen (D-MD) and Todd Young (R-IN) and Representatives Joe Neguse (D-CO) and Brian Fitzpatrick (R-PA), would provide 250,000 new housing vouchers as well as counseling services to help low-income families with young children move to communities of their choice, including communities with high-performing schools, strong job prospects, and other essential resources.

Access to safe, stable, affordable housing is linked to nearly every quality-of-life measure, including better educational and health outcomes, racial equity, and economic mobility. A landmark study by Harvard University economist Raj Chetty demonstrates the enormous positive impact of affordable housing on upward economic mobility for children of low-income families.⁶⁸ The Family Stability and Opportunity Vouchers Act is a bipartisan, evidence-based initiative that would improve outcomes for low-income children by helping their families afford homes in neighborhoods of their choice.

Investing in Cost-Effective Eviction Prevention Tools through the “Eviction Crisis Act”

Congress should also enact the “Eviction Crisis Act” (S.2182), introduced in the 117th Congress by Senators Rob Portman (R-OH), Michael Bennet (D-CO), and Sherrod Brown (D-OH). The legislation would provide emergency, short-term assistance to help stabilize households in crisis, building on lessons learned from and the infrastructure developed during the pandemic to keep families stably housed.

Evictions push families deeper into poverty, harming health outcomes, hampering educational attainment, and resulting in numerous other negative effects. When a household faces an emergency, it needs focused, short-term help, not a one-way ticket to further housing instability. By passing the bipartisan Eviction Crisis Act, Congress would draw on experiences and insights gathered during the pandemic and create a permanent, cost-effective tool to help stabilize households before they face evictions and homelessness and to reduce the harms and costs associated with evictions for individuals and communities.

Reforming and Streamlining Rental Assistance Programs with the “Choice in Affordable Housing Act”

Congress should advance bipartisan efforts to streamline and improve the Section 8 Housing Choice Voucher program. For example, Congress should enact the bipartisan “Choice in Affordable Housing Act” (S.32, H.R.4606), introduced by Senators Chris Coons (D-DE) and Kevin Cramer (R-ND) and Representatives Emanuel Cleaver (D-MO) and Lori Chavez-DeRemer (R-OR), to reduce inspection delays, create landlord incentives, facilitate recruitment efforts with local property owners, and expand the use of Small Area Fair Market Rents. Such changes could increase voucher holders’ housing choices and reduce programmatic barriers to help attract and retain landlords in the program. To help renters on tribal land, the bill would also increase funding to the Tribal HUD-Veterans Affairs Supportive Housing (HUD-VASH) program.

Cutting Red Tape to Build More Housing through the “Yes In My Backyard Act”

Congress must also incentivize or require state and local governments to reduce or eliminate restrictive zoning and land use requirements that drive up housing costs and constrict the supply of housing, especially in markets with significant growth in demand for housing. Congress should incentivize these reforms by tying federal transportation and infrastructure funds to better zoning outcomes.

To further reduce or eliminate zoning and land use restrictions, Congress should enact the bipartisan “Yes In My Backyard (YIMBY) Act” (S.1688, H.R.3507), introduced by Senators Todd Young (R-IN) and Brian Schatz (D-HI) and Representative Derek Kilmer (D-WA). The bill would require HUD Community Development Block Grant (CDBG) grantees to report on actions taken to address zoning and land use barriers. Developers are often burdened with restrictive zoning rules that delay or prevent new housing and further restrict communities’ economic development. The YIMBY Act would cut red tape that prevents the development of affordable housing.

Providing Greater Oversight and Ensuring Deeper Targeting of Federal Disaster Resources through the “Reforming Disaster Recovery Act”

Congress should enact bipartisan legislation to permanently authorize HUD’s long-term disaster recovery program to provide greater oversight and deeper targeting of resources. The “Reforming Disaster Recovery Act” (S.1686, H.R.5940), introduced by Representative Al Green (D-TX) and Senators Brian Schatz (D-HI), Susan Collins (R-ME), and others, would permanently authorize the Community Development Block Grant-Disaster Recovery (CDBG-DR) program and provide important safeguards and tools to help ensure that federal disaster recovery efforts reach the lowest-income and most marginalized disaster survivors. Because the program is not currently authorized, HUD must issue new rules through a *Federal Register* Notice whenever Congress provides long-term disaster funding, slowing the distribution of funds and preventing states and municipalities from anticipating and preparing for the receipt of funding before disasters occur.

Providing Increased Access to Stable, Fair, Affordable Housing

In the past, federal source-of-income protections garnered support among Republicans. Before retiring in 2018, Senator Orrin Hatch (R-UT) worked with Senator Tim Kaine (D-VA) to sponsor the “Fair Housing Improvement Act,” which would expand the “Fair Housing Act” to prohibit

discrimination based on source of income and military and veteran status. NLIHC urges Republican leadership on the bill, which was reintroduced in the 118th Congress by Senator Kaine and Representative Scott Peters (D-CA).

Additionally, Congress should expand the Fair Housing Act to ban discrimination based on sexual orientation, gender identity, marital status, and source of income; establish anti-rent gouging protections for renters; end arbitrary screening and eviction policies to ensure access to housing for people exiting the criminal legal system; and enact legislation supporting tenant organizing.⁶⁹

Improving Access to Affordable Housing in Rural America with the “Rural Housing Service Reform Act”

Congress should enact the “Rural Housing Service Reform Act,” (S.2790) from Senators Tina Smith (D-MN) and Mike Rounds (R-SD). The bipartisan bill would improve the housing programs administered by the U.S. Department of Agriculture’s (USDA) Rural Housing Service (RHS) through several reforms, including decoupling rental assistance from maturing mortgages, permanently establishing the Multifamily Housing Preservation and Revitalization Demonstration (MPR), improving USDA’s Section 542 voucher program to better serve voucher holders, permanently establishing the Native Community Development Financial Institutions (CDFI) Relending pilot program, and improving staff training and capacity within RHS.

The Case for Increased Federal Investments in Affordable Homes

Investing in affordable housing solutions – like the national Housing Trust Fund, rental assistance, public housing, rural and tribal housing, and other proven solutions for ending homelessness and housing poverty – improves lives and saves the federal government money. Research clearly demonstrates that housing is inextricably linked to an array of positive outcomes in other sectors.

Education

Student achievement is maximized when students can go home to stable, affordable homes. Low-income children in affordable homes perform better on cognitive development tests than those in unaffordable homes.⁷⁰ Low-income students who are forced to change schools frequently because of unstable housing perform less well in school and are less likely to graduate,⁷¹ and continual movement of children between schools disrupts learning for all students in the classroom because more time is required for review and catch-up work.⁷² When affordable housing options are located in high-opportunity areas with low poverty rates and economically diverse schools, the academic performance of low-income students rises dramatically and the achievement gap between them and their more affluent peers narrows.⁷³ Yet across the country, low-income families are priced out of the strongest school districts: housing near high-performing public schools costs 2.4 times more on average than housing near low-performing public schools.⁷⁴

Health

Access to decent, stable, affordable homes is a major social determinant of health and is linked to better health outcomes throughout a person’s life. Children who experienced prenatal

homelessness are 20% more likely to have been hospitalized since birth. Children who experienced post-natal homelessness are 22% more likely to have been hospitalized since birth.⁷⁵ In 2011, families living in unaffordable homes spent one-fifth as much on necessary healthcare as those in affordable housing.⁷⁶ When people have access to affordable housing, primary care visits increase by 20%, emergency room visits decrease by 18%, and total Medicaid expenditures decrease by 12%.⁷⁷ Children's HealthWatch estimates that the United States will spend \$111 billion over the next 10 years in avoidable healthcare costs due to housing instability.⁷⁸

Economic Mobility

Affordable homes can also help children climb the income ladder as adults. In the study mentioned above, Raj Chetty and his team focused their research on low-income children whose families used housing vouchers to access affordable homes located in neighborhoods with lower poverty rates. Chetty and his colleagues found that such children were much more likely to attend college, less likely to become single parents, and more likely to earn more as adults. In fact, younger poor children who moved to lower-poverty neighborhoods with a housing voucher earned an average of \$302,000 more over their lifetimes compared to their peers in higher-poverty neighborhoods.⁷⁹ Similarly, in 2015, the Children's Defense Fund (CDF) modeled an expansion of the Housing Choice Voucher program and found that expanding the program's housing subsidies would reduce child poverty by 20.8% and lift 2.3 million children out of poverty entirely. Indeed, the CDF study found that, compared to nine other policy solutions explored by researchers, housing subsidies would have the greatest impact on alleviating child poverty.⁸⁰

Economic Productivity

Investments in affordable homes are a proven catalyst for economic growth, job creation, larger government revenues, and increased consumer spending. According to the National Association of Home Builders, building 100 affordable homes generates an additional \$11.7 million in local income, 161 new local jobs, and \$2.2 million in taxes and other revenues for local government. The high cost of housing, meanwhile, limits opportunities for people to increase their earnings, in turn slowing GDP growth. Researchers estimate that GDP growth between 1964 and 2009 would have been 13.5% higher had families had wider access to affordable homes. Such an increase in GDP would have translated into a \$1.7 trillion increase in national income, or \$8,775 in additional wages per worker.⁸¹

Food Security

When rent payments eat into already limited paychecks, low-income families have fewer resources to buy adequate and nutritious food. Low-income families that live in affordable homes experience greater food security, and their children are 52% less likely to be underweight compared to those who are housing cost burdened.⁸²

Criminal Justice

Individuals transitioning out of the criminal legal system face many housing obstacles and are especially vulnerable to homelessness. They rely on safe, affordable housing to reconnect with

society and rebuild their lives. Formerly incarcerated individuals who find stable housing are much less likely to return to jail than those who do not.⁸³

Veterans

After serving our country bravely, veterans should have access to decent, stable, affordable homes so they can thrive in the neighborhoods they swore to defend. Rental assistance for veterans has proven highly effective in dramatically reducing veteran homelessness, but there remains significant unmet need.⁸⁴

The evidence is abundantly clear that being able to afford a decent home in a well-resourced neighborhood is a prerequisite for opportunity in America. Health, economic prospects, high-quality education, and the other essential attributes of well-being can only be ensured if our nation's families have access to safe, decent, and affordable homes.

Conclusion

Significant and sustained federal investments, coupled with strengthened and enforced renter protections, are needed to ensure that people with the lowest incomes and those who are most marginalized have stable, accessible, and affordable homes. NLIHC looks forward to a continued partnership with members of Congress and the administration in advancing the large-scale investments and anti-racist reforms needed to repair the gaping holes in our country's social safety net and ensure that every renter has an affordable place to call home.

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Support the Yes In My Backyard Act

Dear Senator:

On behalf of Americans for Prosperity and the millions of American individuals and families it represents, I write in support of the Yes In My Backyard (YIMBY) Act sponsored by Senators Young and Schatz and its House companion sponsored by Representatives Kilmer and Hollingsworth. The YIMBY Act makes receipt of Community Development Block Grants funding to localities conditional upon recipients submitting a plan to the U.S. Department of Housing and Urban Development to track restrictive zoning policies such as limits on duplexes, multifamily housing, and manufactured housing, as well as burdensome permitting requirements.

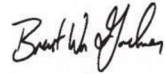
For years, local governments have unnecessarily erected barriers that stand in the way of individuals and families realizing their potential by accessing housing and using land as they see fit. The purpose of the YIMBY Act is to discourage the use of discriminatory land use policies and remove barriers to making housing more affordable through transparency in the Community Development Block Grant program. It will help ensure that governments identify and remove regulations that prevent Americans from pursuing housing opportunities that will enable them to thrive.

Removing barriers to land use and zoning regulations is vital to Americans. These regulations became common in the U.S. in the early 20th century and have increased substantially over the decades. Land use and zoning restrictions tend to have a greater impact on the lives of ordinary Americans than any other regulation and affect the availability and cost of housing on a daily basis. Land use regulations can have a substantial impact on home mortgage and rental prices, the location and density of housing, the length of commutes, access to different modes of transportation, neighborhood or city demographics, and a variety of other important factors.

Overly burdensome regulations related to housing, land use, and zoning make housing more costly and erect barriers to economic growth and geographic mobility. While the share of households spending more than 30 percent of income on housing has dropped in recent years, nearly half of renter households exceed this threshold. More than 18 million American households pay more than half their income on housing. Some scholars estimate that land use regulation reduces U.S. gross domestic product (GDP) by 1.5 percent each year. One critical cause of these trends is the failure to build sufficient housing, particularly in key metropolitan areas.

The YIMBY Act is a step in the right direction to removing barriers from housing, land use, and zoning regulations. With its strong, bipartisan voice vote on the House floor in the 116th Congress, we appreciate the reintroduction of the YIMBY Act and look forward to working with Congress toward its swift enactment in the 117th Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "Brent Gardner". The signature is fluid and cursive, with the first name "Brent" and last name "Gardner" clearly distinguishable.

Brent Gardner

Chief Government Affairs Officer, Americans for Prosperity



December 6, 2023

The Honorable Warren Davidson
Chairman
Committee on Financial Services
Subcommittee on Housing and Insurance
United States House of Representatives
Washington, DC, 20515

The Honorable Emanuel Cleaver
Ranking Member
Committee on Financial Services
Subcommittee on Housing and Insurance
United States House of Representatives
Washington, DC, 20515

Re: Today's Hearing: "Housing Affordability: Governmental Barriers and Market-Based Solutions."

Dear Chairman Davidson and Ranking Member Cleaver:

On behalf of the Credit Union National Association (CUNA) and the National Association of Federally-Insured Credit Unions (NAFCU), we are writing regarding the Subcommittee's hearing entitled, "Housing Affordability: Governmental Barriers and Market-Based Solutions." CUNA and NAFCU represent America's credit unions and their more than 138 million members.

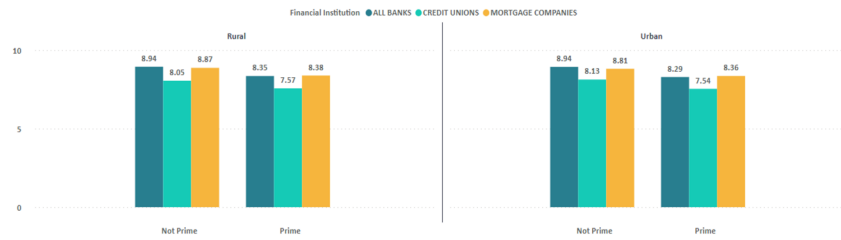
As member-owned, not-for-profit financial cooperatives, America's credit unions play an integral role in helping working families achieve the dream of home ownership through equitable access to affordable and sustainable mortgage products. American families have options in the private sector when seeking financing for their housing needs. The not-for-profit and cooperative nature of credit unions allows them to provide mortgage loans with lower and more affordable rates than loans originated by a bank or a nondepository mortgage company.

Our analysis of the recently released Home Mortgage Disclosure Act (HMDA) data for 2022 shows that credit unions continue making strides reaching low-income and minority borrowers. Credit unions originated a higher share of purchase loans to Black and Hispanic borrowers than banks did (17.6 percent versus 15.5 percent). Over 17 percent of CU originations were in low- and moderate-income census tracts, which was also higher than banks (15.9 percent). Those figures have been trending up and now stand at their highest levels on record dating back prior to the Great Recession.

According to an analysis of lending data for the first quarter of 2023, the median interest rate for 30-year mortgages among prime borrowers at credit unions is notably lower than that at banks and mortgage companies.¹ The data demonstrates that this trend holds true for urban and rural borrowers and not just prime borrowers.

¹ CUNA internal analysis of Equifax Analytic Dataset.

Median Interest Rate on a 30-years First Mortgage Loan



The ability of credit unions to provide better rates on mortgage loans is increasingly important in the current environment. Reports suggest that a combination of factors, including rates at 23-year highs and corresponding increases in the median monthly principal and interest payment, have led to the least affordable United States housing market since the mid-1980s.² Moreover, the median sales price of a house sold in the United States stands at approximately \$431,000, and the median sales price has spiked almost \$100,000 since 2020.³

The rates offered by credit unions help make homebuying more affordable in these challenging times. These numbers emphasize the crucial role credit unions play in making homeownership more accessible and affordable for a broader spectrum of Americans, especially those who may face challenges in obtaining favorable loan terms from traditional financial institutions.

Comparatively lower rates, however, only relate to one aspect of affordability for the American consumer in the single-family market. Government policy can impact affordability as well. We have urged the Federal Housing Financing Agency (FHFA) to examine their policies to improve the affordability of mortgages, such as discounting, or eliminating, guarantee fees for credit unions selling loans to government-sponsored enterprises (GSEs) for certain borrowers and the high-quality, low-risk mortgages that credit unions originate.

We also appreciate the FHFA's commitment to fostering liquidity in the mortgage markets and ensuring equitable access to the secondary market by qualified institutions and borrowers. However, there are more opportunities available to the GSEs to further close the racial homeownership gap and ensure that

² See Aarthi Swaminathan, *Housing Affordability Hits a 39-year Low. 'It's fair to expect prices to weaken,' expert says.*, MarketWatch (Nov. 6, 2023), <https://www.marketwatch.com/story/housing-affordability-hits-a-39-year-low-its-fair-to-expect-prices-to-weaken-expert-says-2e7963ad> ("With mortgage rates at 23-year highs, the monthly principal and interest payment on a median-priced home hit a record high in October. That puts the U.S. housing market at its least affordable since 1984, according to a report by Intercontinental Exchange . . .").

³ See generally U.S. Census Bureau and U.S. Department of Housing and Urban Development, *Median Sales Price of Houses Sold for the United States [MSPUS]*, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MSPUS>, November 15, 2023 (providing data from 1963 through 2023).

government-sponsored programs are benefiting the individuals and communities that most need them. For example, we continue to encourage the FHFA to require the GSEs to establish programs for low- or zero-down payment mortgage loans that help borrowers build wealth. Such programs, along with additional programs targeted toward buying mortgages from Community Development Financial Institutions (CDFIs) would go a long way to help underserved borrowers and first-time homebuyers achieve homeownership while allowing credit unions to better support their communities. Collectively, such programs will go a long way in closing the racial homeownership gap and making housing more affordable.

A dialogue on housing affordability also requires looking at what can be done to increase the housing supply and access to it. Credit unions support legislation and policy decisions that would increase the supply of safe, affordable, and reasonably resilient housing, including efforts to make it easier for homebuilders and homebuyers to use manufactured housing to reduce the housing shortage.

On behalf of America's credit unions and their more than 138 million members, thank you for holding this important hearing and considering our views on the subject.

Sincerely,



Jim Nussle
President and CEO
Credit Union National Association



Dan Berger
President and CEO
National Association of Federally-Insured Credit Unions



December 5, 2023

The Honorable Patrick McHenry
Chairman
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Committee on Financial Services
4340 O'Neill House Office Building
Washington, DC 20515

The Honorable Warren Davidson
Chairman
Subcommittee on Housing and Insurance
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Emanuel Cleaver
Ranking Member
Subcommittee on Housing and Insurance
4340 O'Neill House Office Building
Washington, DC 20515

Dear Chairman McHenry, Chairman Davidson, Ranking Member Waters, and Ranking Member Cleaver:

On behalf of the National Association of Residential Property Owners (NARPM®), thank you for holding the hearing entitled, "Housing Affordability: Governmental Barriers and Market-Based Solutions." We appreciate your attention to these important topics and your leadership on issues critical to our members and the American economy.

By way of background, the National Association of Residential Property Managers is an association of real estate professionals who know first-hand the unique problems and challenges of managing single-family and small residential properties.

Founded in 1988, NARPM provides a permanent trade organization for the residential property management industry. It continues to be the premier professional association of residential property managers, currently representing approximately 6,000 members comprised of real estate agents, brokers, managers, and their employees. Our organization promotes a high standard of business ethics, professionalism, and fair housing practice. NARPM also certifies its members in the standards and practices of the residential property management industry and promotes continuing professional education. Our members focus on managing single-family and small residential properties, an asset class overwhelmingly composed of small landlords.

As part of this hearing, we would ask you to consider the following on the legislation before you:

Chairman McHenry, et al
 December 5, 2023
 Page 2

H.R. 802 – The Respect State Housing Laws Act

We strongly support H.R. 802, the Respect State Housing Laws Act.

The CARES Act established a temporary 120-day moratorium on evictions and late fees due to nonpayment of rent, which applied to federally backed and federally assisted housing. It also instituted what should have been a temporary notice procedure, requiring housing providers to notify covered residents 30 days before filing for eviction after the moratorium ended on July 24, 2020. During the height of pandemic uncertainty, its purpose was to provide covered residents with ample notice before housing providers filed for eviction when the CARES Act's stay on evictions was lifted. Because of the manner in which the bill was drafted, this federal "notice to vacate" requirement remains in place today, over two years after the end of the CARES Act moratorium.

The CARES Act requirement more than quadruples the notice procedure in some jurisdictions, which translates into more lost rent while housing providers wait for their day in eviction court. It is imperative to highlight that the eviction process is one that is usually measured in months, not weeks or days. In cases of nonpayment of rent, this process usually begins when the tenant is late (a 5-day grace period is a common practice). At that point, the landlord would file a notice to vacate (aka "pay or quit"). A note of explanation is needed here. A notice to vacate does not mean the tenant is required to leave within the number of days in the notice. It only means that the owner must wait that number of days before initiating action to regain their property in cases of nonpayment of rent. Following the "pay or quit" period, the landlord can institute court action to recover the property. Throughout this process, most property managers will work with their residents to access any available rental assistance. A sizeable number will also consider alternatives and diversion programs.

For professional owners and operators of rental housing, eviction is always a last resort. Their businesses always do better when units are occupied and when they can fully meet their obligations to their residents, employees, creditors, and the communities that they serve. COVID-19 highlighted housing providers' efforts to utilize all available resources and be as flexible as their circumstances allowed to help their residents remain stably housed. But, ultimately, the federal notice-to-vacate requirement is not a sustainable solution to prevent renter displacement in this new post-pandemic reality.

The rental housing industry cannot continue to manage their properties successfully with sustained losses of rental income that result from continued delays of legitimate evictions. Restrictions on a property owner's ability to remedy lease violations for non-payment of rent only place renters at greater long-term risk through the accumulation of higher debt, and they have a negative effect on many property owners in the form of lost rental income, an effect that is most acute for smaller property owners.

Studies show that the overwhelming majority of rent goes to property operations, maintenance and supporting the communities across the country that housing providers serve. For example, housing providers' property taxes finance schools, emergency services, and other

Chairman McHenry, et al
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Page 3

local needs. A rent payment is much more important than one might otherwise realize. As such, the inability to collect rent ultimately hurts the tens of millions of Americans who work in the industry, the nation's renters, and communities across the country.

As such, we strongly support H.R. 802, the Respect State Housing Laws Act.

H.R. 3507 – the Yes In My Backyard (YIMBY) Act

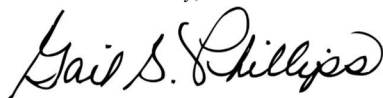
We also support H.R. 3507, the Yes In My Backyard (YIMBY) Act. Housing affordability is driven by a variety of factors including income levels, land and resource availability, population growth, and housing supply-demand imbalance. In addition, the regulatory and administrative barriers present in each jurisdiction play a significant role in housing's overall affordability. Research has shown that nearly one-third of housing development costs are derived from these barriers. They have the dual effect of artificially restricting the number of units developed and adding cost to those that are produced, a true double hit on American families looking for affordable housing.

Reducing such barriers can, and must, be a core strategy in addressing housing affordability challenges in communities around the country. The Yes In My Backyard (YIMBY) Act helps eliminate barriers to housing development by requiring certain Community Development Block Grant (CDBG) program recipients to submit to the Department of Housing and Urban Development information regarding their implementation of certain land-use policies, such as policies for expanding high-density single-family and multifamily zoning.

Thank you for your consideration of our views. If you have questions, please feel free to reach out to our legislative team at legislativeinfo@narpm.org or (800) 782-3452.

With kind regards, I am

Sincerely,



Gail Phillips, CAE
NARPM® CEO

cc: House Financial Services Committee Members



July 19, 2023

The Honorable Kevin McCarthy
Speaker of the House
United States House of Representatives
Washington, D.C. 20515

The Honorable Hakeem Jeffries
Minority Leader
United States House of Representatives
Washington, D.C. 20515

Dear Speaker McCarthy and Minority Leader Jeffries:

The undersigned national associations represent for-profit and non-profit owners, operators, developers, lenders and property managers and housing cooperatives involved in the provision of rental housing, both affordable and conventional. We are writing to bring attention to lingering operational challenges that the rental housing industry is experiencing from the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020.

As background, the CARES Act established a temporary 120-day moratorium on evictions due to nonpayment of rent, applicable to federally-backed and federally-assisted housing. This section of the CARES Act also instituted what should have been a temporary notice procedure, requiring housing providers to notify covered residents 30 days before filing for eviction after the moratorium ended on July 24, 2020. This temporary federal "notice-to-vacate" requirement remains a hotly contested issue in courts today, long after the moratorium and the federal COVID-19 public health emergency has ended. It adds complexity and confusion to the eviction process established by states and further delays the start of the eviction process for housing providers who have been waiting to have their cases heard in court while rent remains unpaid.

Backlogs in the courts are stretching from weeks or months to more than a year in some jurisdictions. Meanwhile, owners and managers face even more lost rent while they wait. This is particularly financially challenging for operators of subsidized housing and mom and pop landlords and ultimately hurts the tens of millions of Americans who work in the industry as well as the nation's renters. For professional owners and operators of rental housing, eviction is a last resort. Their businesses always do better when units are occupied and when they can fully meet their obligations to their residents, employees, creditors and the communities that they serve.

Throughout the pandemic, rental housing professionals have worked to both help our residents resolve their hardships and to advance policies to provide renters with essential resources to meet their housing needs. Now that Congress and the President have terminated the federal COVID-19 public health emergency, we urge Congress to end the CARES Act 30-day notice-to-vacate by supporting H.R. 802, the Respect State Housing Laws Act, returning eviction policies back to the state and local level. We stand ready to work with you to facilitate passage of this important piece of legislation.

Sincerely,

Council for Affordable and Rural Housing
Institute of Real Estate Management

Manufactured Housing Institute
National Affordable Housing Management Association
National Apartment Association
National Association of Home Builders
National Association of Residential Property Managers
National Leased Housing Association
National Multifamily Housing Council

CC: U.S. House of Representatives

December 5, 2023

The Honorable Sherrod Brown, Chairman
U.S. Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Tim Scott, Ranking Member
U.S. Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Patrick McHenry, Chairman
House Financial Services Committee
United States House of Representatives
Washington, DC 20515

The Honorable Maxine Waters, Ranking
Member
House Financial Services Committee
United States House of Representatives
Washington, DC 220515

Dear Chair Brown, Ranking Member Scott, Chair McHenry, Ranking Member Waters:

The undersigned national associations represent for-profit and non-profit owners, operators, developers, lenders, property managers, housing agencies, housing cooperatives and advocacy organizations involved in the provision and promotion of housing, both affordable and conventional. We are writing to express our strong support for the bipartisan Yes in My Backyard Act (YIMBY) as introduced by Senators Brian Schatz (D-HI) and Todd Young (S. 1688) and Congressmen Mike Flood (R-NE) and Derek Kilmer (D-WA) (H.R. 3507). We urge your support for this legislation, and for committee consideration as soon as possible.

America is facing a housing affordability crisis. While challenges are different from city to city and state to state, housing affordability is a nationwide problem. For decades, America has witnessed the escalating challenge created by demographic shifts, lack of development, and economic changes culminating in the inability of families to rent, buy, or maintain stable, affordable, and safe homes. Underproduction of housing is also a persistent and nationwide problem, leading to a supply and demand imbalance across the country.

The YIMBY Act would help to eliminate discriminatory land use policies and remove barriers that depress production of housing in the United States. By requiring Community Development Block Grant (CDBG) recipients to report periodically on the extent to which they are removing discriminatory land use policies, and promoting inclusive and affordable housing, it will increase transparency and encourage more thoughtful and inclusive development practices.

Housing affordability is a national problem that demands the attention of federal policymakers. The YIMBY Act is an important step to help mitigate this crisis.

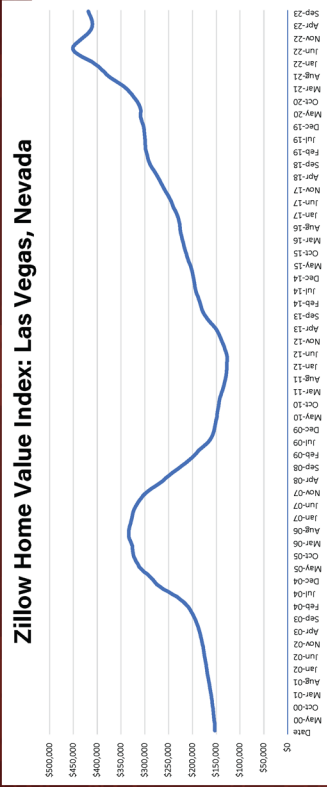
Sincerely,

American Planning Association

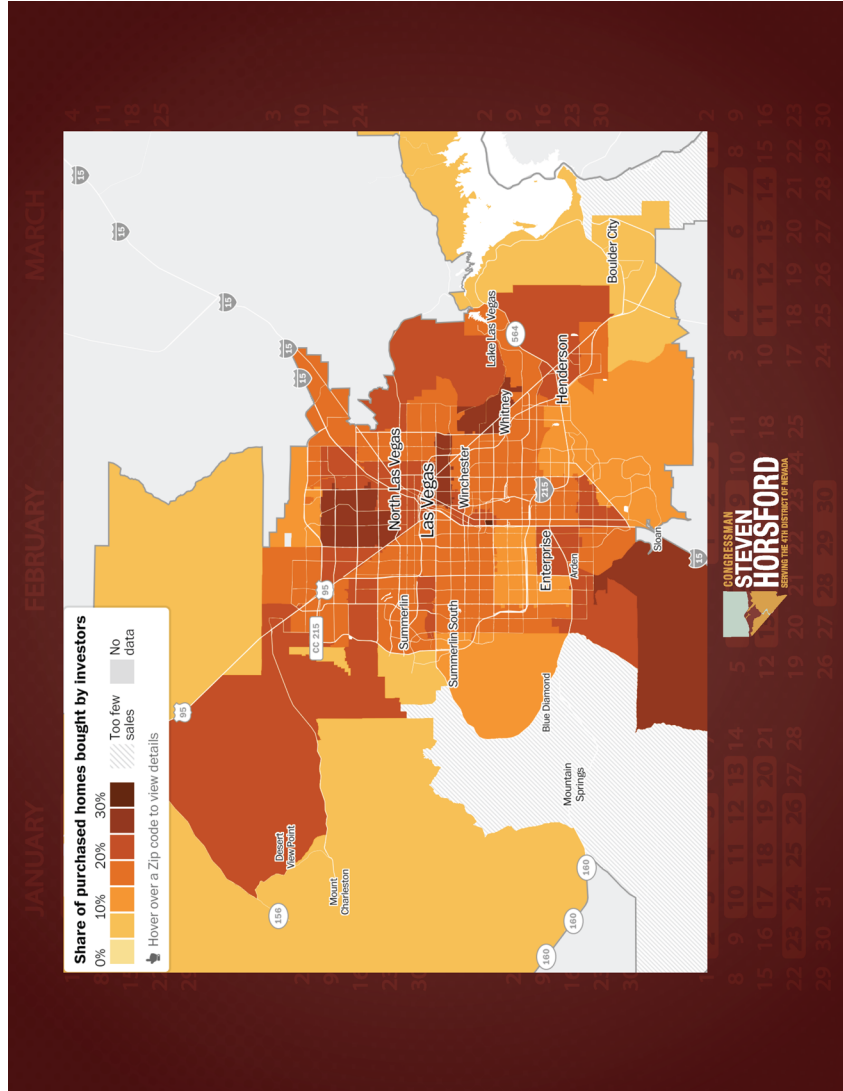
Council for Affordable and Rural Housing
Habitat for Humanity International
Institute of Real Estate Management
Leading Builders of America
Manufactured Housing Institute
Mortgage Bankers Association
National Affordable Housing Management Association
National Apartment Association
National Association of Homebuilders
National Association of Housing Cooperatives
National Association of Realtors
National Association of Residential Property Managers
National Leased Housing Association
National Low Income Housing Coalition
National Multifamily Housing Council
The Real Estate Roundtable
Up For Growth

Cc: Members of the Senate Banking, Housing and Urban Affairs Committee
Members of the House Financial Services Committee

The image is a large, stylized calendar for the year 2019. The year '2019' is prominently displayed in the center in large, bold, white numerals. Surrounding the year are the names of the twelve months: JANUARY, FEBRUARY, MARCH, APRIL, MAY, JUNE, JULY, AUGUST, SEPTEMBER, OCTOBER, NOVEMBER, and DECEMBER. Each month is associated with a specific color and a set of small, colored squares representing the days of the month. The background is a dark, textured blue. The overall design is clean and modern.









Questions for the Record
 Appleton
Rep. Sylvia R. Garcia

Questions from Congresswoman Sylvia R. Garcia to Mr. Seth Appleton

Question 1: First-time homebuyers with limited English proficiency must address the additional difficulty of educating and translating necessary documents and resources to their native language to adequately navigate the financial marketplace. Most recently, the Department of Housing and Urban Development's Federal Housing Administration (FHA) announced a requirement to use the Supplementary Consumer Information Form to collect a mortgage applicant's language preference.

While this is an important step forward, there have been instances where lenders are already steering borrowers of color, many of whom have limited English proficiency, into FHA mortgages, even though they qualify for conventional mortgages through Fannie Mae and Freddie Mac.

Mr. Appleton, you mentioned in your testimony that private mortgage insurance can be one of those solutions in the conventional market. **In your opinion, how does lending and housing discrimination affect the private mortgage insurance industry's ability to prosper?**

Discrimination based on protected class status is unacceptable and has no place in our housing market. The private MI industry fully supports robust enforcement of fair lending and fair housing statutes and regulations to ensure that homebuyers, regardless of race, ethnicity, gender, age, or other protected class, have access to mortgaging financing. USMI member companies are ready, willing, and able to responsibly and sustainably enable access to homeownership for all home ready borrowers. Private MI is a great solution in that it eliminates one of the most significant impediments that borrowers of color face in the homeownership journey: the need for a large cash down payment. The private MI industry has a 67-year history of helping minority, first-time, and low- to moderate-income homebuyers achieve the American Dream of affordable and sustainable homeownership with as little as 3% down.

Private MIs work closely with lenders and the GSEs to increase consumer knowledge of the homebuying process, as well as the benefits and responsibilities of homeownership. Our members operate consumer-facing websites with extensive homebuyer education resources, including materials designed for homebuyers with limited English proficiency. Further, USMI member companies are active in local communities by providing financial support for and engaging with housing planning and community-based organizations to ensure that lenders and stakeholders know about how private MI can help families achieve homeownership.

Question 2: Given your expertise in mortgage insurance, are there any new innovative solutions that could reduce mortgage insurance costs for first-time homebuyers, especially low-income and marginalized buyers?

Private MI is highly scalable and features a number of tailored options to meet borrowers' specific needs, including borrower-paid and lender-paid MI, to provide low- to moderate income households with access to affordable mortgage credit through the conventional market. Collectively, the private MI industry has relationships with thousands of lenders across the country, including large money-center banks, credit unions, community banks, and independent mortgage banks. Research from Fannie Mae's Economic and Strategic Research Group ("Mortgage costs as a share of housing costs – placing cost of credit in broader context" released March 9, 2022 and updated March 17, 2023) found that private MI is a small component of the overall cost of buying and owning a home. The report found that non-credit related expenses are the largest contributors to overall homeownership costs.

Restoring the individual income tax deduction for MI premiums – both private MI and insurance offered by various government agencies – that expired after tax year 2021, would provide meaningful tax relief for current and future low- and moderate-income and first-time homebuyers with low down payment mortgages. From 2007 to 2020, an average of 3.3 million homeowners annually claimed the MI premium tax deduction and a total of \$61.6 billion in deductions have been claimed. This important tax policy has supported low- and moderate-income homeowners, who on average have received an annual deduction of \$1,427. The bipartisan, bicameral *Middle Class Mortgage Insurance Premium Act* (H.R. 4212 and S. 1938) would restore this deduction, make it permanent, and expand eligibility by increasing its income limit for the first time since 2007.

Rep. Maxine WatersMr. Seth Appleton

1. Which of the following options best describes your self-identified race? (you may choose more than one)
 - a. White or Caucasian
 - b. Black or African American
 - c. Hispanic/Latinx
 - d. Asian
 - e. Middle Eastern/North African
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)
2. Which of the following options best describes your gender identity?
 - a. Woman
 - b. Man
 - c. Non-binary
 - d. Transgender Man
 - e. Transgender Woman
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)



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From the Desk of Emily Hamilton

January 11, 2024

The Honorable Patrick McHenry
United States Representative
Chairman, House Financial Services Committee
Washington, DC 20515

Re: Hearing on December 6, 2023, entitled "Governmental Barriers and Market-Based Solutions"

Dear Chairman McHenry:

After my testimony before the Subcommittee on Housing and Insurance on December 6, 2023, you requested answers to one question submitted by Congresswoman Garcia and two questions submitted by Ranking Member Waters. The questions and answers are below.

Question from Congresswoman Garcia

(1) Dr. Hamilton, you mention in your testimony that Houston median house prices are now lower than the national median, despite decades of higher population growth and economic growth in the region.

Despite Houston's lauded affordability and high supply of homes for sale, 51% of Houston and Harris County renters are cost-burdened, higher than 2019's 48% figure, delaying homeownership and other important life decisions. On top of that, nearly 1 in 5 rental structures in Houston and Harris County were graded as being in "below-average" condition by the Harris Central Appraisal District. Older properties and those rated as below average were disproportionately located in neighborhoods with a lower median income and more Hispanic residents, like many of my constituents.

The City of Houston, for example, has no zoning laws, leaving property subdivisions up to ordinance codes. Despite the mostly open market, there are still ongoing issues with affordability and lack of quality rental/housing options. Given these facts, how can localities like Houston better encourage developers to increase the production of affordable units targeting low-income households?

As in the country as a whole, rental affordability has worsened in Houston in recent years, and too many households that rent in Houston face difficult tradeoffs in their household budgets and housing quality. Houston, however, has fared better than many other cities in housing affordability for both renters and homebuyers.

As I interpret the evidence, the best way to improve housing affordability and housing quality for households that cannot afford adequate market-rate housing is with housing vouchers or other forms of

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income assistance targeted to the renter households most in need.¹ The Housing Choice Voucher Program improves important outcomes for the households that receive them. Compared to eligible households that do not receive vouchers, those that do suffer less food insecurity, less domestic violence, fewer child separations, and much less housing instability.²

Dollars dedicated toward vouchers go further relative to dollars dedicated toward new, subsidized housing construction because new-construction housing is generally the most expensive type. Relative to new construction that is fully or partially dedicated to residents of a specific income, vouchers open up opportunities for recipients to live in many different types of housing.

Policymakers in cities like Houston could provide similar, locally administered aid for extremely low-income residents who are not receiving federal Housing Choice Vouchers. However, fiscal constraints and tax competition across local and state borders present challenges for providing this type of aid at the subnational level.

Due in part to the fiscal difficulties in providing costly aid at the local level, local policymakers tend to turn instead to policies to mandate income-restricted housing through programs that appear costless. Increasingly, local policymakers are implementing “inclusionary zoning” programs that require housing developers to set aside a portion of new-construction units as income-restricted. I’ve studied inclusionary zoning in the Baltimore-Washington region, which has the country’s longest history with these mandates. I find that in this case, localities that have adopted mandatory inclusionary zoning programs have seen greater increases in their median house prices relative to what they could have expected without these programs.³

Inclusionary zoning can provide large benefits for the few residents who win lotteries for the units that they produce. However, inclusionary zoning provides a very small number of units relative to the number of households that qualify for them based on their income. Further, as I find, these programs can actually worsen housing affordability for households that don’t specifically benefit from these programs.

The name “inclusionary zoning” implies that these programs are a reversal of the exclusionary zoning rules that exclude people from neighborhoods and localities based on their income. In fact, inclusionary zoning depends on continued exclusionary zoning in order to function. These programs are typically paired with density bonuses that are intended to fully or partially offset the cost of providing income-restricted units. Without exclusionary zoning, these density bonuses would have no value, and inclusionary zoning would be a clear tax on housing construction.

While Houston is the only major US city without use zoning, it does have land use regulations that appear in zoning ordinances elsewhere, including minimum lot size, setback, and parking requirements. These rules drive up the minimum cost of building housing in Houston. However, in contrast to localities that are relying on so-called inclusionary zoning, Houston has been a nationwide leader in reforming these exclusionary rules. Houston policymakers have enacted rule changes to enable small-lot development, and, in parts of the city, they have eliminated parking requirements.⁴ In part as a result, Houston’s affordability is impressive compared to peer regions.

¹ Emily Hamilton, “Opportunities for Better Federal Housing Policy: How the Biden Administration and Congress Can Improve Housing Affordability” (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, January 2021).

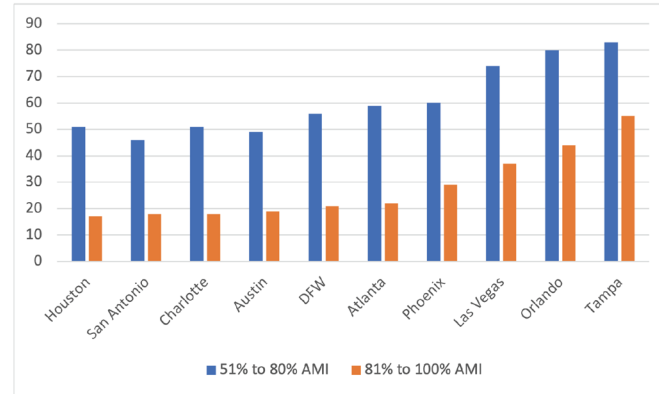
² “Housing Choice Voucher Fact Sheets,” Center on Budget and Policy Priorities, August 9, 2017, <https://www.cbpp.org/housing-choice-voucher-fact-sheets>.

³ Emily Hamilton, “Inclusionary Zoning and Housing Market Outcomes,” *Cityscape* 23, no. 1 (2021): 161–194.

⁴ Emily Hamilton, “Learning from Houston’s Townhouse Reforms” (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, April 2023).

Figure 1 below shows that Houston has the lowest share of cost-burdened renter households among comparable Sun Belt markets for households earning 81% to 100% of the area median income. Only San Antonio and Austin have lower rates of rent burden among households earning 51% to 80% of the area median income.

FIGURE 1: SHARE OF RENT-BURDENED HOUSEHOLDS AT INDICATED AREA MEDIAN INCOME (AMI) LEVELS ACROSS METROPOLITAN STATISTICAL AREAS IN 2021



Source: National Low Income Housing Coalition, The Gap: A Shortage of Affordable Rental Homes (database), accessed January 3, 2023, <https://nlihc.org/gap>.

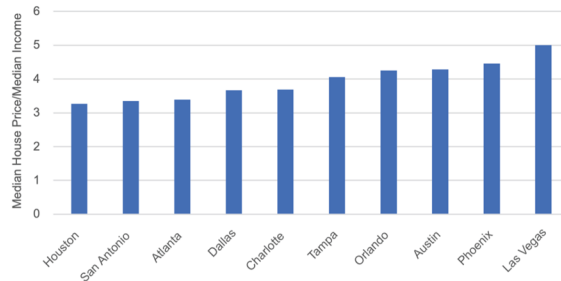
At the least-well-off end of the income spectrum, Houston has the lowest rate of homelessness among major US cities, due in part to its relative abundance of housing and in part to well-administered public and nonprofit services for formerly homeless residents.⁵

Figure 2 shows that at the other end of the spectrum, homeownership is also more attainable to residents earning the region's median income compared to the same group of Sun Belt metros shown in Figure 1.

Even in a city at the far end of land use liberalization, like Houston, the housing market may not adequately serve low-income residents. There is a role for policymakers to provide aid to extremely-low-income households. Expanding the Housing Choice Voucher Program is one way to make progress toward improved housing affordability that carries fewer risks than programs that require market-rate housing construction to subsidize income-restricted housing.

⁵ Hanna Love and Tracy Hadden Loh, "Homeless in US Cities and Downtowns: The Perception, the Reality, and How to Address Both," Brookings Institution, December 7, 2023, <https://www.brookings.edu/articles/homelessness-in-us-cities-and-downtowns/>.

FIGURE 2: HOUSEHOLD MEDIAN INCOMES AS MULTIPLES OF MEDIAN HOUSE PRICES OF METROPOLITAN STATISTICAL AREAS IN 2021



Source: Zillow Research, Housing Data (database), “ZHVI All Homes Time Series (\$),” accessed March 24, 2023, <https://www.zillow.com/research/data/>; US Census Bureau, American Community Survey (ACS) (database), accessed March 24, 2023, <https://www.census.gov/programs-surveys/acs>.

Questions from Ranking Member Waters

Answers are marked in yellow highlight and underlined.

(2) Which of the following options best describes your race?

- a. White or Caucasian
- b. Black or African American
- c. Hispanic/Latinx
- d. Asian
- e. Middle Eastern/North African
- f. Choose not to answer
- g. Prefer to self-describe (please specify)

(3) Which of the following options best describes your gender identity?

- a. Woman
- b. Man
- c. Non-binary
- d. Transgender Man
- e. Transgender Woman
- f. Choose not to answer
- g. Prefer to self-describe (please specify)

Thank you for the opportunity to testify in December and for the opportunity to contribute to the hearing’s Questions for the Record.

Sincerely,

Emily Hamilton
Senior Research Fellow
Mercatus Center, George Mason University

PATRICK McHENRY, NC
CHAIRMAN



MAXINE WATERS, CA
RANKING MEMBER

United States House of Representatives
One Hundred Eighteenth Congress
Committee on Financial Services
2120 Rauborn House Office Building
Washington, DC 20515

December 18, 2023

Arianna K. Royster
President
Borger Residential
1111 14th St NW
Suite 200
Washington, D.C. 20005

Dear Ms. Royster:

Thank you for testifying before the House Committee on Financial Services on December 6, 2023, at the hearing titled "Housing Affordability: Governmental Barriers and Market-Based Solutions." Per the instructions announced at the conclusion of the hearing, Members submitted additional questions for your response. Please respond to the questions below and submit your response by January 19, 2023.

Should you or your staff have any questions or need additional information, please contact Rachel Collins at (202) 225-7502.

Sincerely,

A handwritten signature in blue ink that reads "Patrick T. McHenry".

Patrick McHenry
Chairman

Questions for the Record
Royster

Rep. Maxine Waters

Ms. Arianna Royster

1. Which of the following options best describes your self-identified race? (you may choose more than one)
 - a. White or Caucasian
 - b. Black or African American
 - c. Hispanic/Latinx
 - d. Asian
 - e. Middle Eastern/North African
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)
2. Which of the following options best describes your gender identity?
 - a. Woman
 - b. Man
 - c. Non-binary
 - d. Transgender Man
 - e. Transgender Woman
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

Questions for the Record

Diane Yentel
President and CEO
National Low Income Housing Coalition

Rep. Sylvia R. Garcia

Question 1: Ms. Yentel, you discussed in-depth during your testimony and answers to my colleagues' questions on the lack of federal resources. As we discuss the growing need for federal housing programs and subsidies to incentivize landlords and developers for new affordable options, the Department of Housing and Urban Development's budget was up for a 30% cut in FY24's funding bill.

If this budget were to pass, low-income and severely low-income renters and buyers would be heavily impacted, leaving many one financial setback away from homelessness. **Aside from renegotiation of the FY24 budget, is allowing developers an option of paying a fee in place of supplying affordable options a strong enough disincentive? What are the positive and negative consequences of this option?**

A common feature of inclusionary zoning policies is "in-lieu fees," which allow developers the option to pay a fee as an alternative to building on-site affordable units. More research is needed on the positive and negative consequences of in-lieu fees and how these policies should be structured to advance a jurisdiction's inclusionary zoning policy goals.

Effective off-site production using in-lieu fees depends on a variety of resources and factors, such as local market conditions and the availability of other financing sources to leverage inclusionary housing funds. In general, inclusionary zoning and related in-lieu fees only work in markets experiencing significant growth in the housing stock. Additionally, municipalities must pay careful attention to where units are located to advance economic integration, achieve fair housing outcomes, and ensure that in-lieu policies do not reinforce historic patterns of segregation.¹

If in-lieu fees are too low, developers have an incentive to pay the fee rather than the costs of providing housing with below-market rents. Additionally, setting too-low fees may not provide the jurisdiction with resources for housing assistance that they could otherwise achieve. However, municipalities can still benefit from these fees. In-lieu fees are often a major source of funding for local affordable housing trust funds and can be used to create flexible revenue sources to fund housing units for renters with the lowest incomes.² Physical rental units built through inclusionary zoning, on the other hand, rarely rent at levels affordable to extremely low-income renters.³ Affordable units built through inclusionary housing policies predominantly serve households with annual income between 50% and 80% of the area median income.⁴ In-lieu fee

¹ Grounded Solutions Network. (2019). Inclusionary housing: Common questions. Retrieved from: <https://inclusionaryhousing.org/common-questions/>

² Shroyer, A. (2020). *Determining in-lieu fees in inclusionary zoning policies*. Washington, DC: Urban Institute. Retrieved from: https://www.urban.org/sites/default/files/publication/102230/determining-in-lieu-fees-in-inclusionary-zoning-policies_1.pdf

³ Stacy, C., Morales-Burnett, J., Noble, E., Hodge, T., & Komarek, T. (2021). *Inclusionary zoning: How different IZ policies affect tenant, landlord, and developer behaviors*. Washington, DC: Urban Institute. Retrieved from: https://www.urban.org/sites/default/files/publication/104631/inclusionary-zoning-how-different-iz-policies-affect-tenant-landlord-and-developer-behaviors_0.pdf

⁴ Wang, R., & Balachandran, S. (2021). *Inclusionary housing in the United States: Prevalence, practices, and production in local jurisdictions as of 2019*. Washington, DC: Grounded Solutions Network. Retrieved from: https://groundedsolutions.org/sites/default/files/2021-01/Inclusionary_Housing_US_v1_0.pdf

revenue can be used to develop units outside of the parameters of the inclusionary housing program, including units affordable to extremely low-income renters or housing for people experiencing homelessness.⁵

Question 2: Finally, what impact would it have if Congress were to finally repeal the Fair Cloth Amendment that currently prohibits the construction of new public housing?

Repealing the Faircloth Amendment would allow for the increased production of public housing units to help meet the growing and urgent need for deeply affordable housing. While repealing the Faircloth Amendment would eliminate the federal cap on the creation of new public housing units, it is essential that Congress provide full funding for public housing operations and repairs.

Congress has divested from public housing for decades, resulting in over \$70 billion in unmet capital backlog needs. As a result, our nation loses 10,000 to 15,000 units of public housing every year to obsolescence or decay, while other units fall into deep disrepair.⁶ Congress must provide robust resources to preserve the roughly 900,000 public housing units that are currently home to nearly 1.7 million residents, the majority of whom are people of color. Public housing units are being lost by the cumulative impact of decades of underfunding and neglect of once-viable public housing units.

Public housing is critical to ensuring people with the greatest needs have an affordable and accessible place to call home. Given the current shortage of affordable homes and chronic underfunding of federal programs, preventing the loss of this already limited supply is essential to any strategy to address America's housing crisis.

Rep. Maxine Waters

1. Which of the following options best describes your self-identified race? (you may choose more than one):

- a. White or Caucasian
- b. Black or African American
- c. Hispanic/Latinx
- d. Asian
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⁵ Grounded Solutions Network. (2019). Inclusionary housing: Fees and economic integration. Retrieved from: <https://inclusionaryhousing.org/designing-a-policy/off-site-development/in-lieu-fees/fees-and-economic-integration/>

⁶ Gramlich, E. (2023). *Advocates' guide: Public Housing*. Washington, DC: National Low Income Housing Coalition. Retrieved from: https://nlihc.org/sites/default/files/2023-03/2023AG4-08_Public-Housing.pdf

